

**CITY OF COUNCIL BLUFFS**

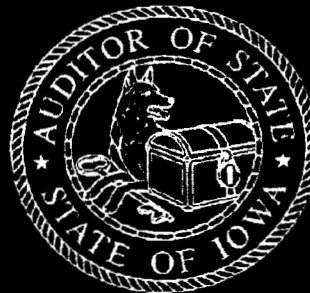
**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2010**

Office of

**AUDITOR  
OF STATE**

State Capitol Building – Des Moines, Iowa



**David A. Vaudt, CPA**

Auditor of State

**CITY OF COUNCIL BLUFFS**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2010**

## Table of Contents

	<u>Page</u>
Officials	4
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-17
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 18-21
Statement of Activities	B 22-23
Governmental Fund Financial Statements:	
Balance Sheet	C 24-25
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 26
Statement of Revenues, Expenditures and Changes in Fund Balances	E 28-29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 30
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 31
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 32
Statement of Cash Flows	I 34-35
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Net Assets	J 36
Notes to Financial Statements	37-61
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – Governmental Funds and Enterprise Funds	64-66
Budget to GAAP Reconciliation	66
Notes to Required Supplementary Information – Budgetary Reporting	67
Schedule of Funding Progress for the Retiree Health Plan	68
Schedule of Funding Progress for the Supplemental Pension Plan	69
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 72-75
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 77-79
Nonmajor Enterprise Funds:	
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	3 80
Combining Schedule of Cash Flows	4 82-83

## Table of Contents

	<u>Page</u>
Other Supplementary Information (continued):	
Internal Service Funds:	
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	5      84-85
Combining Schedule of Cash Flows	6      86-87
Agency Funds:	
Combining Schedule of Fiduciary Net Assets – Agency Funds	7      88
Combining Schedule of Changes in Trusts Payable - Agency Funds	8      89
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	9      90-91
Schedule of Expenditures of Federal Awards	10     92-94
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	97-98
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	101-102
Schedule of Findings and Questioned Costs	103-107
Staff	108

## City of Council Bluffs

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
Thomas Hanafan	Mayor	Jan 2010
Scott Belt	Mayor Pro tem	Jan 2010
Darren Bates	Council Member	Jan 2010
Lynne Branigan	Council Member	Jan 2012
Matthew Schultz	Council Member	Jan 2012
Matt Walsh	Council Member	Jan 2012
Cindy Lynch	Personnel Director	Indefinite
Arthur W. Hill	Finance Director	Indefinite
Marcy Worden (Appointed August 2009)	City Clerk	Indefinite
Debra Miller	Treasurer	Indefinite
Richard Wade	Attorney	Indefinite
<b>(After January 2010)</b>		
Thomas Hanafan	Mayor	Jan 2014
Scott Belt	Mayor Pro tem	Jan 2014
Lynne Branigan	Council Member	Jan 2012
Matthew Schultz	Council Member	Jan 2012
Matt Walsh	Council Member	Jan 2012
Melissa Head	Council Member	Jan 2014
Cindy Lynch	Personnel Director	Indefinite
Arthur W. Hill	Finance Director	Indefinite
Marcy Worden	City Clerk	Indefinite
Debra Miller	Treasurer	Indefinite
Richard Wade	Attorney	Indefinite



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Council Bluffs' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Council Bluffs Airport Authority, a discretely presented component unit, which represent 86.4 percent, 84.5 percent and 74.6 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Council Bluffs Airport Authority, is based solely upon the report of the other auditor.


We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

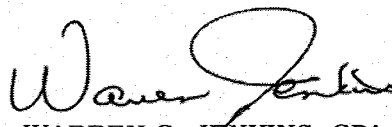
In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2011 on our consideration of the City of Council Bluffs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans on pages 7 through 16 and 64 through 69 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Council Bluffs' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 4, 2011

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

This discussion and analysis of the City of Council Bluffs financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements which follow this report.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Council Bluffs exceeded liabilities at June 30, 2010 by \$366,291,976. Of this amount, \$4,997,631 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased \$20,522,636 during the year. The net assets associated with governmental activities increased \$10,536,763 and the net assets associated with business type activities increased \$9,985,873.
- The City's overall long-term liabilities decreased to \$42,935,393, a decrease of \$21,629,227 during the year. The general obligation bond/note portion of indebtedness decreased \$9,800,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

In addition to Management's Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as an agent for the benefit of those outside of City government. An additional part of the basic financial statements are notes to financial statements. The statements are followed by a section of Required Supplementary Information which further explains and supports the financial statements with a comparison of the City's budget for the year and Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans.

Other Supplementary Information provides detailed information about the nonmajor governmental, internal service and fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

### **REPORTING THE CITY AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is, "Is the City of Council Bluffs in a better financial position at the end of this fiscal year compared to last year?" The Statement of Net Assets and the Statement of Activities report information about the City as a



whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as the police, fire, public works and parks departments and general administration. Property tax, user fees and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City's sewer, solid waste and recycling activities.
- **Component Units** – These are operations which are legally separate from the City but for which the City is financially accountable. The City's discretely presented component units are the Council Bluffs Airport Authority and the Library Foundation.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show it is properly using certain revenues (such as local option sales tax revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in governmental funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. A description is provided detailing the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described in Note 22 on pages 60 and 61, Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010 and accordingly, beginning net assets for governmental activities were restated to retroactively report \$202,295 of intangible assets acquired prior to July 1, 2009. In addition, beginning governmental activities and business type activities net assets increased and decreased, respectively, by \$2,927,149 to reclassify local option sales tax activity previously reported in the business type activities. To enhance comparability, all amounts presented for fiscal year 2009 in this discussion and analysis were restated, where applicable, to reflect these changes as if the changes had been made in the prior year.

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, street and sewer networks, buildings and improvements and equipment), less any related debt used to acquire those assets which is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The analysis that follows shows the City's total net assets at June 30, 2010 and 2009.

	Governmental Activities		Business Type Activities		Total	
	2010	2009 (Restated)	2010	2009 (Restated)	2010	2009 (Restated)
Current and other assets	\$ 87,569,407	89,893,311	6,930,731	7,596,444	94,500,138	97,489,755
Capital assets	265,298,323	257,572,827	118,839,728	107,592,837	384,138,051	365,165,664
Total assets	352,867,730	347,466,138	125,770,459	115,189,281	478,638,189	462,655,419
Long-term liabilities	42,601,320	64,287,859	334,073	276,761	42,935,393	64,564,620
Other liabilities	67,991,098	51,439,730	1,419,722	881,729	69,410,820	52,321,459
Total liabilities	110,592,418	115,727,589	1,753,795	1,158,490	112,346,213	116,886,079
Net assets:						
Invested in capital assets, net of related debt	219,535,725	212,426,431	118,755,228	107,488,837	338,290,953	319,915,268
Restricted	23,003,392	24,228,905	-	-	23,003,392	24,228,905
Unrestricted	(263,805)	(4,916,787)	5,261,436	6,541,954	4,997,631	1,625,167
Total net assets	\$ 242,275,312	231,738,549	124,016,664	114,030,791	366,291,976	345,769,340

Net assets of governmental activities increased over fiscal year 2009 approximately \$10.5 million, or 4.5%. Net assets of business type activities increased over fiscal year 2009 approximately \$10 million, or 8.8%. Capital assets of governmental activities increased approximately \$7.7 million, or 3.0%, over fiscal year 2009, primarily due to the completion of infrastructure projects, including construction and improvements to City streets and parks. The City also acquired equipment and vehicles for the public safety function. Capital assets of business type activities increased approximately \$11.2 million, or 10.4%, over fiscal year 2009, primarily due to an increase in sewer and storm infrastructure and a sewer treatment plant rehabilitation project. Long term liabilities of governmental activities decreased \$21,686,539, or 33.7%, from fiscal year 2009, primarily due to the retirement of general obligation bonds totaling \$9.8 million (offset by issuance of \$3.7 million) and reclassification of the urban renewal capital loan note (\$14.6 million) from a noncurrent to a current liability.

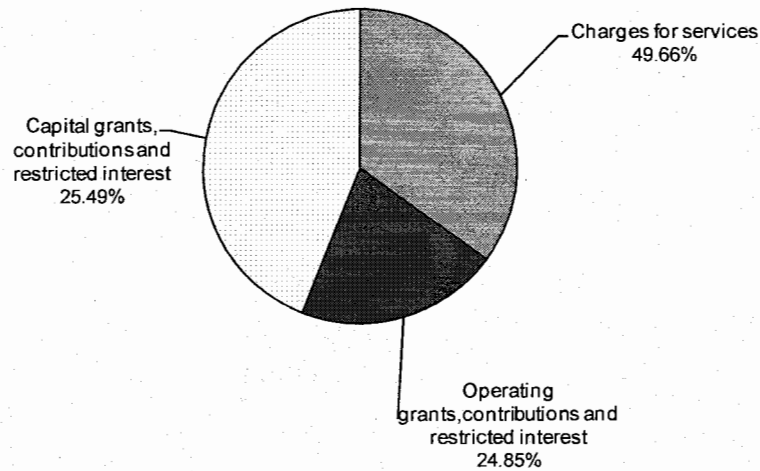
The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets decreased \$1.2 million, or 5.1%, from fiscal year 2009.

Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$5.0 million. This is an increase of approximately \$3.4 million over the prior year unrestricted net assets, which were approximately \$1.6 million one year ago. This increase is primarily due to a decrease of \$3.3 million in general obligation debt payable from governmental activities for assets capitalized in the business type activities.

	Governmental Activities		Business Type Activities		Total	
	2010	2009 (Restated)	2010	2009 (Restated)	2010	2009 (Restated)
Revenues:						
Program revenues:						
Charges for service	\$ 10,920,818	9,808,087	10,148,260	9,916,075	21,069,078	19,724,162
Operating grants, contributions and restricted interest	10,296,448	11,679,974	247,134	162,287	10,543,582	11,842,261
Capital grants, contributions and restricted interest	10,812,521	22,074,207	-	2,732,966	10,812,521	24,807,173
General revenues:						
Property tax levied for:						
General purposes	29,870,765	26,464,281	-	-	29,870,765	26,464,281
Debt service	7,210,156	6,804,838	-	-	7,210,156	6,804,838
Tax increment financing	3,223,820	4,983,734	-	-	3,223,820	4,983,734
Local option sales tax	7,024,557	8,186,682	-	-	7,024,557	8,186,682
Other city tax	8,722,784	9,637,154	-	-	8,722,784	9,637,154
Unrestricted investment earnings	341,243	733,812	1,423	49,787	342,666	783,599
Gain on disposition of capital assets	-	-	-	2,445	-	2,445
Miscellaneous	91,724	132,778	85,790	82,562	177,514	215,340
Total revenues	88,514,836	100,505,547	10,482,607	12,946,122	98,997,443	113,451,669
Program expenses:						
Public safety	26,540,090	25,796,311	-	-	26,540,090	25,796,311
Public works	11,298,900	11,712,752	-	-	11,298,900	11,712,752
Health and social services	550,421	563,295	-	-	550,421	563,295
Culture and recreation	8,348,868	9,504,036	-	-	8,348,868	9,504,036
Community and economic development	6,801,616	7,514,563	-	-	6,801,616	7,514,563
General government	10,959,589	10,555,074	-	-	10,959,589	10,555,074
Interest on long-term debt	2,158,068	2,611,834	-	-	2,158,068	2,611,834
Sewer	-	-	7,231,802	7,919,254	7,231,802	7,919,254
Refuse and disposal	-	-	4,518,258	4,386,055	4,518,258	4,386,055
Other	-	-	67,195	2,500	67,195	2,500
Total expenses	66,657,552	68,257,865	11,817,255	12,307,809	78,474,807	80,565,674
Excess (deficiency) of revenues over (under) expenses	21,857,284	32,247,682	(1,334,648)	638,313	20,522,636	32,885,995
Operating transfers, net	(11,320,521)	(5,316,039)	11,320,521	5,316,039	-	-
Change in net assets	10,536,763	26,931,643	9,985,873	5,954,352	20,522,636	32,885,995
Net assets, beginning of year, as restated	231,738,549	204,806,906	114,030,791	108,076,439	345,769,340	312,883,345
Net assets end of year	\$ 242,275,312	231,738,549	124,016,664	114,030,791	366,291,976	345,769,340

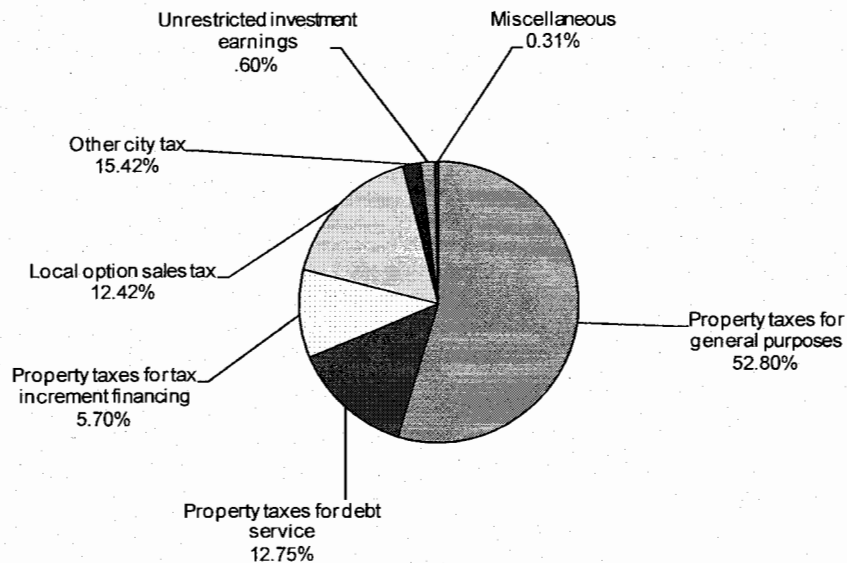
Total revenues reported for the primary government for the year ended June 30, 2010 were \$98,997,443. Program revenues totaled \$42,425,181 for the year ended June 30, 2010. Governmental activities provided \$32,029,787 and business type activities provided \$10,395,394. Revenue from charges for service during fiscal year 2010 was \$21,069,078, accounting for 49.7% of the total program revenues. The following charts break down program revenues by source:

**FY10 Program Revenues**



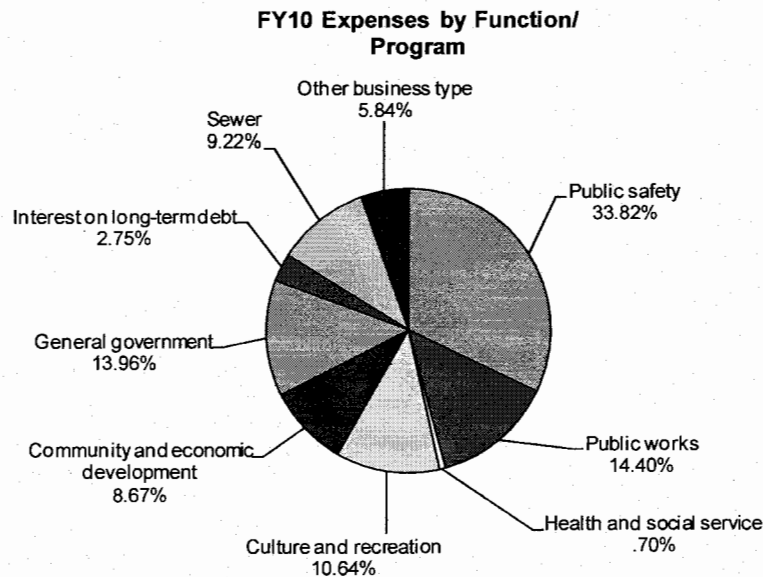
General revenues for the year ended June 30, 2010 totaled \$56,572,262. Governmental activities provided \$56,485,049 and business type activities provided \$87,213. Property tax revenues for fiscal year 2010 totaled \$37,080,921, accounting for 65.5% of general revenues. The following chart illustrates general revenues by source:

**FY10 General Revenues**



Overall revenues decreased approximately \$14.5 million, or 12.7%, from FY 2009. The change is primarily the result of a one-time capital contribution in fiscal year 2009 for the pedestrian bridge linking Council Bluffs and Omaha. Unrestricted investment earnings decreased significantly due to ongoing low earnings rates during the year. Unrestricted investment earnings dropped 56.3% from fiscal year 2009.

Expenses for the primary government for the year ended June 30, 2010 totaled \$78,474,807. Expenses for governmental activities totaled \$66,657,552, accounting for 84.9% of total expenses. Business type activities expenses totaled \$11,817,255, or 15.1% of the total. The following chart breaks down expenses by function/program:



The following table shows the activities included within each function/program:

<u>Function/Program</u>	<u>Activity</u>
Public safety	Individual and community protection, physical health
Public works	Public service, utilities, transportation
Health and social services	Health regulation and inspection
Culture and recreation	Education and recreation
Community and economic development	Environmental preservation, housing and community development
General government	Policy and administration, including in-house services provided to City departments

Expenses decreased overall \$2.0 million, or 2.6%, from fiscal year 2009. The City budgets and records expenses based on cost centers. The increase in expenses is primarily due to increased costs in public safety, public works and general government expenses during fiscal year 2010.

### **Governmental Activities**

To aid in understanding the Statement of Activities, some additional explanation is given. Of particular interest is the format which is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note the expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net

(expense) revenue calculation. This format highlights the respective financial burden each of the functions place on the taxpayers. For example, for public safety, the City spent \$26,540,090 and received \$5,633,895 in revenue, leaving a cost to taxpayers of \$20,906,195, a decrease of 5.4% from fiscal year 2009, to be funded by various methods. This format identifies how much each function draws from general revenues or is self-sustaining through fees or grants.

Some of the individual line item revenues reported for each function are:

<u>Function/Program</u>	<u>Revenues</u>
Public safety	Fines, COPS grants, block grants
Community and economic development	HUD grants, building permits, licenses
General government	Internal charges for service

The total cost of governmental activities this year was \$66,657,552. Of these costs, \$10,920,818 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations which subsidized certain programs with operating and capital grants and contributions were \$21,108,969, leaving a net expense of \$34,627,765 for governmental activities. These expenses were financed by tax revenues, interest and other general revenues. The Statement of Activities provides further detail. The net (expense) revenue for governmental activities is as follows:

	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	2010	2009 (Restated)
<b>Governmental activities</b>		
Function/Program:		
Public safety	\$ (20,906,195)	(22,096,398)
Public works	1,225,331	17,430,380
Health and social services	(340,787)	(414,113)
Culture and recreation	(5,704,118)	(6,780,723)
Community and economic development	173,323	(3,361,634)
General government	(7,025,683)	(6,902,056)
Interest on long-term debt	(2,049,636)	(2,571,053)
Net (expense) revenue of governmental activities	(34,627,765)	(24,695,597)
General revenues and transfers	45,164,528	51,627,240
Change in net assets	<u>\$ 10,536,763</u>	<u>26,931,643</u>

Resources available during the year to finance governmental activities totaled \$308,932,864, consisting of net assets at July 1, 2009 of \$231,738,549, program revenues of \$32,029,787 and general revenues and transfers of \$45,164,528. During the year, governmental activities expenses totaled \$66,657,552. Governmental activities net assets increased \$10,536,763 to \$242,275,312.

### **Business Type Activities**

The cost of all business type activities for the year was \$11,817,255 as shown in the Statement of Activities. The amount charged to the users of the systems was \$10,148,260 and \$247,134 was funded from grants and contributions. Net expense for business type activities was \$1,421,861. The net (expense) revenue by business type activity for the years ended June 30, 2010 and 2009 is as follows:

**Business Type Activities**

Sewer  
 Refuse and disposal  
 Other nonmajor  
 Total net (expense) revenue  
 General revenues and transfers  
 Change in net assets

Net (Expense) Revenue and Changes in Net Assets		
	2009	
	2010	(Restated)
\$	(1,558,601)	105,902
	162,456	371,901
	(25,716)	25,716
	(1,421,861)	503,519
	11,407,734	5,450,833
\$	9,985,873	5,954,352

Resources available during the year to finance business type activities totaled \$135,833,919, consisting of net assets at July 1, 2009 of \$114,030,791, program revenues of \$10,395,394 and general revenues and transfers of \$11,407,734. During the year, business type activities expenses totaled \$11,817,255 and business type activities net assets increased \$9,985,873 to \$124,016,664.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS****GOVERNMENTAL FUND HIGHLIGHTS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balances may serve as a useful measure of net resources available for spending at the end of a fiscal year. The City's governmental funds reported combined ending fund balances of \$35,296,635. The combined governmental fund balances decreased \$9,338,061 from the prior year. The primary reason for this decrease is a change in when general obligation bonds are issued. In past years, bonds had been issued in amounts ranging from \$6.5 to \$7.6 million late in the fiscal year before June 30. In 2010, general obligation bonds totaling \$7.3 million were not issued until August, 2010. This event, coupled with the pace of capital construction, are the two primary reasons for the difference in fiscal year end balances at June 30, 2010 and 2009.

Following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance increased \$5,112,931, or 49.9%, over the prior year. Revenues increased \$1,423,391, or 4.0%. Increases were reported in property tax and intergovernmental revenues. These gains were offset by declines in other taxes (gaming), charges for service and interest earnings.

Expenditures decreased \$1,083,774, or 2.6%, from the prior year. Culture and recreation costs in fiscal year 2009 included storm cleanup costs not incurred again in fiscal year 2010. All functions operated at or near planned levels and the result was the small decrease in total general fund expenditures.

- The Special Revenue, Bass Pro Fund balance increased \$4,186, or 2.4% over the prior year. Revenues increased \$351,687, or 42.2%, while expenditures decreased \$177,289, or 8.4%. The increase in revenues was due to receipt of a \$375,000 grant from the Iowa West Foundation.
- The Special Revenue, Tax Increment Financing Fund balance decreased \$705,704 due primarily to transfers to the Debt Service Fund to repay TIF debt. This fund also realized a \$1.7 million, or 35.3%, decrease in tax increment financing revenues. Excess tax increment financing revenues were collected in fiscal year 2009 for the Mid America TIF and tax askings for fiscal year 2010 were reduced accordingly.

- The Special Revenue, City Local Option Sale Tax Fund balance decreased \$1,370,516, or 13.3%, from the prior year. The decrease is primarily due to a \$1.16 million decrease in local option sales tax revenue. The activity of this fund was previously split between the Special Revenue and Enterprise Funds. Beginning July 1, 2009, all the activity for this fund is reflected in the Special Revenue Fund.
- The Debt Service Fund balance decreased \$987,730 from the prior year, partially the result of early payment of \$3.7 million of Series 2003 general obligation bonds. The City called these bonds to save interest costs of approximately \$374,000. The decrease is also the result of an increase in expenditures for principal and interest payments coming due during fiscal year 2010.
- The Capital Projects Fund balance decreased \$12,868,886 from the prior year as the City continued to build and repair infrastructure. The fund will be rebuilt with the issuance of Series 2010 general obligation bonds and planned transfers from other funds (including the General Fund) for completed projects.

### **PROPRIETARY FUND HIGHLIGHTS**

- The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2010 with an \$119,464,408 net asset balance compared to the prior year ending net asset balance of \$109,615,275, an increase of \$9,849,133, or 9.0%. The increase is primarily due to an \$11.4 million contribution of capital assets from governmental funds. While operating revenues and expenses remained fairly constant, operating expenses exceeded revenues in fiscal year 2010 and City staff are reviewing possible changes to sewer rates.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was made to include higher costs in public safety for miscellaneous police projects, culture and recreation for forestry costs and use of library gifts and memorials, general government for costs related to FEMA storm damage, debt service for the call of bonds and related costs, capital projects for under estimated project costs related to timing of projects and business type activities for costs related to the wastewater treatment plant and East Manawa storm runoff. These costs are offset by increased budgeted receipts.

The City's receipts were \$260,688 less than budgeted receipts, a variance of merely 0.3%.

Overall, total disbursements were \$466,721 greater than the revised budgeted amounts. Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, culture and recreation, capital projects and business type activities functions.

The City is currently in the process of developing an operating budget for the fiscal year ending 2012 that will plan to have revenue exceed expenses for all funds, including the General Fund.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure, represents the value of the resources utilized to provide services to our citizens. Capital assets at June 30, 2010 were \$384,138,051 (net of accumulated depreciation). See Note 3 to the financial statements for more information about the City's capital assets.

The major construction in progress under way at June 30, 2010 include a public works operations building, a riverfront park, major improvements at the waste water treatment facility,



energy upgrades to mechanical systems at City buildings and various street and sewer extension projects including, but not limited to, the Broadway Streetscape.

The majority of the equipment acquired pertained to vehicles and equipment for the public safety function, which includes the Police and Fire Departments.

For business type activities, sewer projects completed include the sewer treatment plant rehabilitation project.

### **Long-term Debt**

At June 30, 2010, the City had \$46.045 million in general obligation bonds and notes outstanding versus \$55.845 million last year. The City's general obligation bonds carry an AA2 rating as assigned by Moody's Investor Services. Assignment of this rating reflects the City's continued moderate tax base growth, sound financial operations and rapid debt retirement. The City continues to operate well under the State debt capacity limitation. The State limits the amount of general obligation debt outstanding to 5% of the assessed value of all taxable property in the community. Bond proceeds will fund equipment and various capital improvements in the City.

More detailed information on debt administration is provided in Note 4 to the financial statements.

### **ECONOMIC FACTORS**

The City's operating tax base (taxable property valuation) has grown on average 4.8% annually from January of 1999 to January of 2010. Meanwhile, the labor-intensive operational costs typically rise between 3% to 7% annually. City officials continue to take a practical approach to future staffing costs. Local industries have begun to experience recovery from economic difficulties in the past two years. Gaming tax revenue was lower than the prior year but is expected to increase again in fiscal year 2011. Declines in some other tax revenue will be offset by gains in local option sales tax revenue arising from expansion of the City's retail centers and shifts in spending patterns. Despite recent declines, gaming and tourism remain material economic factors, comprising nearly 6% to 7% of the City's taxable valuation and continue to be among the top five employers in the City.

Local option sales tax revenue continues to be strong at about \$7.0 million in fiscal year 2010. Revenue is expected to increase due to the opening of new retail establishments.

Another indication of improving economics is the increase in hotel/motel tax collections, which continue to average between \$2.3 million and \$2.5 million annually.

Two retail centers which opened in fiscal year 2009 continue to add tenants, with both retail and food and beverage facilities.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Arthur W. Hill, CPA, City Finance Director at 712-328-4685.

## **Basic Financial Statements**

City of Council Bluffs  
Statement of Net Assets  
June 30, 2010

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 30,579,650	4,039,474	34,619,124
Receivables:			
Property tax:			
Delinquent	679,784	-	679,784
Succeeding year	34,377,000	-	34,377,000
Tax increment financing:			
Delinquent	46,731	-	46,731
Succeeding year	5,472,000	-	5,472,000
Accounts (net of \$106,943 allowance for uncollectible accounts in the General Fund)	3,064,821	1,339,494	4,404,315
Special and drainage assessments	285,507	-	285,507
Customer accounts and unbilled usage	-	807,673	807,673
Loans	737,758	-	737,758
Internal balances	(17,878)	17,878	-
Due from other governments	8,387,406	458,107	8,845,513
Inventories	1,237,578	268,105	1,505,683
Prepaid insurance	397,362	-	397,362
Total current assets	85,247,719	6,930,731	92,178,450
Noncurrent assets:			
Note receivable	750,000	-	750,000
Land held for resale	1,571,688	-	1,571,688
Capital assets (net of accumulated depreciation)	265,298,323	118,839,728	384,138,051
Bond issuance costs	-	-	-
Total noncurrent assets	267,620,011	118,839,728	386,459,739
<b>Total assets</b>	<b>352,867,730</b>	<b>125,770,459</b>	<b>478,638,189</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	4,516,211	1,016,285	5,532,496
Salaries and benefits payable	507,607	65,040	572,647
Accrued interest payable	144,723	-	144,723
Due to other governments	78,828	2,637	81,465
Deferred revenue:			
Succeeding year property tax	34,377,000	-	34,377,000
Succeeding year tax increment financing	5,472,000	-	5,472,000
Unearned revenue	334,347	85,526	419,873
Current portion due within one year:			
General obligation bonds/notes	6,055,000	-	6,055,000
Revenue bonds	-	-	-
Urban renewal revenue capital loan note	14,579,299	-	14,579,299
Capital lease purchase agreements	76,642	-	76,642
Loans	15,000	32,500	47,500
Compensated absences	1,834,441	217,734	2,052,175
Total current liabilities	67,991,098	1,419,722	69,410,820
Noncurrent liabilities:			
General obligation bonds/notes	39,990,000	-	39,990,000
Revenue bonds	-	-	-
Capital lease purchase agreements	60,305	-	60,305
Loans	705,000	52,000	757,000
Compensated absences	545,454	93,334	638,788
Net OPEB liability	805,539	117,161	922,700
Net pension liability	495,022	71,578	566,600
Total noncurrent liabilities	42,601,320	334,073	42,935,393
<b>Total liabilities</b>	<b>110,592,418</b>	<b>1,753,795</b>	<b>112,346,213</b>

Component Units	
Airport Authority	Library Foundation
363,880	3,954,190
18,169	-
-	-
-	-
-	-
8,162	-
-	-
-	-
-	-
1,449,796	-
-	-
9,237	-
1,849,244	3,954,190
-	-
-	-
23,302,795	-
35,322	-
23,338,117	-
25,187,361	3,954,190
631,766	-
6,964	-
11,079	-
-	-
-	-
-	-
9,420	-
-	-
140,000	-
-	-
-	-
-	-
799,229	-
-	-
2,755,000	-
-	-
-	-
-	-
-	-
2,755,000	-
3,554,229	-

City of Council Bluffs  
Statement of Net Assets  
June 30, 2010

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<b>Net Assets</b>			
Invested in capital assets, net of related debt	219,535,725	118,755,228	338,290,953
Restricted for:			
Nonexpendable:			
Permanent fund	59,920	-	59,920
Expendable:			
Local option sales tax	8,908,619	-	8,908,619
Streets	4,669,131	-	4,669,131
Library	-	-	-
Other purposes	9,365,722	-	9,365,722
Unrestricted	(263,805)	5,261,436	4,997,631
<b>Total net assets</b>	<b>\$ 242,275,312</b>	<b>124,016,664</b>	<b>366,291,976</b>

See notes to financial statements.

Component Units	
Airport Authority	Library Foundation
20,407,795	-
-	-
-	-
-	-
-	3,954,190
-	-
1,225,337	-
<u>21,633,132</u>	<u>3,954,190</u>

City of Council Bluffs

Statement of Activities

Year ended June 30, 2010

**Functions/Programs:**

**Primary Government:**

Governmental activities:

	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Public safety	\$ 26,540,090	4,320,041	849,502	464,352
Public works	11,298,900	467,447	6,540,345	5,516,439
Health and social services	550,421	106,412	103,222	-
Culture and recreation	8,348,868	1,525,874	223,706	895,170
Community and economic development	6,801,616	797,523	2,240,856	3,936,560
General government	10,959,589	3,595,089	338,817	-
Interest on long-term debt	2,158,068	108,432	-	-
Total governmental activities	66,657,552	10,920,818	10,296,448	10,812,521

Business type activities:

Sewer	7,231,802	5,452,663	220,538	-
Nonmajor	4,585,453	4,695,597	26,596	-
Total business type activities	11,817,255	10,148,260	247,134	-

Total primary government

\$ 78,474,807	21,069,078	10,543,582	10,812,521
---------------	------------	------------	------------

**Component Units:**

Airport Authority	\$ 1,568,767	119,688	-	1,203,531
Library Foundation	435,649	-	210,509	-
Total component units	\$ 2,004,416	119,688	210,509	1,203,531

**General Revenues and Transfers:**

Property tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Other city tax

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business Type Activities	Total	Airport Authority	Library Foundation	
(20,906,195)	-	(20,906,195)	-	-	
1,225,331	-	1,225,331	-	-	
(340,787)	-	(340,787)	-	-	
(5,704,118)	-	(5,704,118)	-	-	
173,323	-	173,323	-	-	
(7,025,683)	-	(7,025,683)	-	-	
(2,049,636)	-	(2,049,636)	-	-	
(34,627,765)	-	(34,627,765)	-	-	
-	(1,558,601)	(1,558,601)	-	-	
-	136,740	136,740	-	-	
-	(1,421,861)	(1,421,861)	-	-	
(34,627,765)	(1,421,861)	(36,049,626)	-	-	
-	-	-	(245,548)	-	
-	-	-	-	(225,140)	
-	-	-	(245,548)	(225,140)	
29,870,765	-	29,870,765	563,508	-	
7,210,156	-	7,210,156	-	-	
3,223,820	-	3,223,820	-	-	
7,024,557	-	7,024,557	-	-	
8,722,784	-	8,722,784	-	-	
341,243	1,423	342,666	16,144	447,682	
91,724	85,790	177,514	30,026	-	
(11,320,521)	11,320,521	-	-	-	
45,164,528	11,407,734	56,572,262	609,678	447,682	
10,536,763	9,985,873	20,522,636	364,130	222,542	
231,738,549	114,030,791	345,769,340	21,269,002	3,731,648	
\$ 242,275,312	124,016,664	366,291,976	21,633,132	3,954,190	



City of Council Bluffs

Balance Sheet  
Governmental Funds

June 30, 2010

	Special Revenue				
	General	Bass Pro	Tax Increment Financing	City Local Option Sales Tax	Debt Service
<b>Assets</b>					
Cash and pooled investments	\$ 10,839,841	125,958	305,599	8,078,492	19,898
Receivables:					
Property tax:					
Delinquent	357,463	-	-	-	134,421
Succeeding year	17,956,000	-	-	-	6,367,000
Tax increment financing:					
Delinquent	-	-	46,731	-	-
Succeeding year	-	-	5,472,000	-	-
Accounts (net)	1,834,603	51,979	29,718	-	-
Special and drainage assessments	140,435	-	-	-	-
Loans	-	-	-	-	-
Note	-	-	-	-	-
Advance to other funds	2,035,446	-	-	-	-
Due from other funds	900,246	-	-	-	-
Due from other governments	1,861,115	-	-	2,974,431	-
Inventories	243,458	-	-	-	-
Prepaid insurance	397,362	-	-	-	-
Land held for resale	-	-	-	-	-
<b>Total assets</b>	<b>\$ 36,565,969</b>	<b>177,937</b>	<b>5,854,048</b>	<b>11,052,923</b>	<b>6,521,319</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 740,088	2,000	29,718	1,066,173	396
Salaries and benefits payable	456,924	-	-	-	-
Advance from other funds	-	-	2,035,446	-	-
Due to other funds	7,573	-	-	-	400,000
Due to other governments	75,059	-	-	316	-
Deferred revenue:					
Succeeding year property tax	17,956,000	-	-	-	6,367,000
Succeeding year tax increment financing	-	-	5,472,000	-	-
Other	1,963,535	-	1,011	1,077,815	25,248
Total liabilities	21,199,179	2,000	7,538,175	2,144,304	6,792,644
Fund balances:					
Reserved for:					
Prepaid insurance	397,362	-	-	-	-
Encumbrances	50,736	-	-	101	-
Capital projects	-	-	-	-	-
Advance to other funds	2,035,446	-	-	-	-
Inventories	243,458	-	-	-	-
Loans and note receivable	-	-	-	-	-
Cemetery care	-	-	-	-	-
Unreserved, reported in:					
General fund	12,639,788	-	-	-	-
Special revenue funds	-	175,937	(1,684,127)	8,908,518	-
Debt service fund	-	-	-	-	(271,325)
Capital projects fund	-	-	-	-	-
Total fund balances	15,366,790	175,937	(1,684,127)	8,908,619	(271,325)
<b>Total liabilities and fund balances</b>	<b>\$ 36,565,969</b>	<b>177,937</b>	<b>5,854,048</b>	<b>11,052,923</b>	<b>6,521,319</b>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	10,277,802	29,647,590
-	187,900	679,784
-	10,054,000	34,377,000
-	-	46,731
-	-	5,472,000
1,092,940	39,903	3,049,143
-	145,072	285,507
-	737,758	737,758
-	750,000	750,000
-	-	2,035,446
-	71,700	971,946
2,550,929	1,000,931	8,387,406
-	994,120	1,237,578
-	-	397,362
1,571,688	-	1,571,688
5,215,557	24,259,186	89,646,939
2,503,551	174,285	4,516,211
-	50,683	507,607
-	-	2,035,446
120,941	461,310	989,824
-	3,453	78,828
-	10,054,000	34,377,000
-	-	5,472,000
2,146,010	1,159,769	6,373,388
4,770,502	11,903,500	54,350,304
-	-	397,362
270,304	2,400	323,541
3,847,885	-	3,847,885
-	-	2,035,446
-	994,120	1,237,578
-	1,487,758	1,487,758
-	59,920	59,920
-	-	12,639,788
-	9,811,488	17,211,816
-	-	(271,325)
(3,673,134)	-	(3,673,134)
445,055	12,355,686	35,296,635
5,215,557	24,259,186	89,646,939

## City of Council Bluffs

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2010

**Total governmental fund balances (page 25)** \$ 35,296,635

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of capital assets is \$358,223,966 and the accumulated depreciation is \$92,925,643. 265,298,323

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 6,039,041

Internal Service Funds are used by management to charge the costs of certain activities, including the partial self funding of the City's health insurance benefit plan, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 947,738

Long-term liabilities, including bonds and notes payable, capital lease purchase agreements payable, loan payable, net OPEB liability, net pension liability, accrued interest payable and compensated absences payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (65,306,425)

**Net assets of governmental activities (page 20)** \$ 242,275,312

See notes to financial statements.

**City of Council Bluffs**

City of Council Bluffs

Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

	General	Bass Pro	Special Revenue	
			Tax Increment Financing	City Local Option Sales Tax
Revenues:				
Property tax	\$ 19,019,543	-	-	-
Tax increment financing	-	-	3,222,809	-
Other city tax	7,858,053	-	129,577	7,024,557
Licenses and permits	3,127,963	-	-	-
Use of money and property	344,407	617,353	-	-
Intergovernmental	1,171,148	192,560	-	2,361,750
Charges for service	3,471,334	-	-	-
Special and drainage assessments	-	-	-	-
Miscellaneous	1,903,383	375,000	-	297,491
Total revenues	36,895,831	1,184,913	3,352,386	9,683,798
Expenditures:				
Operating:				
Public safety	24,789,530	-	-	-
Public works	1,344,321	-	-	-
Health and social services	511,290	-	-	-
Culture and recreation	5,603,501	-	-	-
Community and economic development	486,882	1,129,035	1,161,456	-
General government	8,323,080	-	-	-
Debt service:				
Principal redeemed	-	589,393	-	-
Interest paid	-	210,209	-	-
Miscellaneous debt expense	-	-	-	-
Capital projects	-	-	-	10,304,314
Total expenditures	41,058,604	1,928,637	1,161,456	10,304,314
Excess (deficiency) of revenues over (under) expenditures	(4,162,773)	(743,724)	2,190,930	(620,516)
Other financing sources (uses):				
General obligation bonds issued	-	-	-	-
Premium on general obligation bonds	-	-	-	-
General obligations bonds refunded	-	-	-	-
Operating transfers in	9,375,704	787,458	-	-
Operating transfers out	(100,000)	(39,548)	(2,896,634)	(750,000)
Total other financing sources (uses)	9,275,704	747,910	(2,896,634)	(750,000)
Net change in fund balances	5,112,931	4,186	(705,704)	(1,370,516)
Fund balances beginning of year, as restated	10,253,859	171,751	(978,423)	10,279,135
Fund balances end of year	\$ 15,366,790	175,937	(1,684,127)	8,908,619

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
7,214,662	-	10,869,757	37,103,962
-	-	-	3,222,809
660,595	-	54,147	15,726,929
-	-	71,418	3,199,381
-	3,500	3,355	968,615
-	2,434,225	7,172,726	13,332,409
-	-	72,005	3,543,339
108,432	-	232,846	341,278
-	3,535,379	1,288,306	7,399,559
7,983,689	5,973,104	19,764,560	84,838,281
-	-	477,781	25,267,311
-	-	5,009,991	6,354,312
-	-	13,696	524,986
-	-	426,142	6,029,643
-	-	1,569,608	4,346,981
-	-	1,699,864	10,022,944
9,785,000	-	-	10,374,393
1,961,596	-	-	2,171,805
85,635	-	-	85,635
-	19,585,842	-	29,890,156
11,832,231	19,585,842	9,197,082	95,068,166
(3,848,542)	(13,612,738)	10,567,478	(10,229,885)
3,685,000	-	-	3,685,000
60,965	-	-	60,965
(3,700,000)	-	-	(3,700,000)
2,814,847	743,852	1,707,629	15,429,490
-	-	(10,797,449)	(14,583,631)
2,860,812	743,852	(9,089,820)	891,824
(987,730)	(12,868,886)	1,477,658	(9,338,061)
716,405	13,313,941	10,878,028	44,634,696
(271,325)	445,055	12,355,686	35,296,635

## City of Council Bluffs

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
to the Statement of Activities

Year ended June 30, 2010

**Net change in fund balances-total governmental funds (page 29)**

\$ (9,338,061)

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlays and contributed assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 16,880,379	
Depreciation/amortization expense	(9,154,883)	7,725,496

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(22,030)	
Other	3,163,788	3,141,758

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(3,685,000)	
Repaid	14,206,280	10,521,280

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(132,734)	
Net OPEB expense	(341,802)	
Net pension expense	(239,446)	
Interest on long-term debt	38,407	(675,575)

Internal Service Funds are used by management to charge the costs of certain activities, including the partial self funding of the City's health insurance benefit plan, to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities.

(838,135)

**Change in net assets of governmental activities (page 23)**\$ 10,536,763

See notes to financial statements.

City of Council Bluffs  
Statement of Net Assets  
Proprietary Funds

June 30, 2010

	Business Type Activities - Enterprise			Governmental Activities Internal Service
	Sewer	Nonmajor Refuse and Disposal	Total	
<b>Assets</b>				
Current assets:				
Cash and pooled investments	\$ 2,924,837	1,114,637	4,039,474	932,060
Receivables:				
Accounts	27,892	1,311,602	1,339,494	15,678
Customer accounts and unbilled usage	807,673	-	807,673	-
Due from other funds	17,878	-	17,878	-
Due from other governments	305,850	152,257	458,107	-
Inventories	237,296	30,809	268,105	-
Total current assets	4,321,426	2,609,305	6,930,731	947,738
Noncurrent assets:				
Capital assets, net of accumulated depreciation	116,326,887	2,512,841	118,839,728	-
<b>Total assets</b>	120,648,313	5,122,146	125,770,459	947,738
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	727,897	288,388	1,016,285	-
Salaries and benefits payable	52,134	12,906	65,040	-
Due to other governments	2,637	-	2,637	-
Unearned revenue	-	85,526	85,526	-
SWAP loan payable	-	32,500	32,500	-
Compensated absences	172,923	44,811	217,734	-
Total current liabilities	955,591	464,131	1,419,722	-
Noncurrent liabilities:				
SWAP loan payable	-	52,000	52,000	-
Compensated absences	68,945	24,389	93,334	-
Net OPEB liability	98,992	18,169	117,161	-
Net pension liability	60,377	11,201	71,578	-
Total noncurrent liabilities	228,314	105,759	334,073	-
<b>Total liabilities</b>	1,183,905	569,890	1,753,795	-
<b>Net Assets</b>				
Invested in capital assets, net of related debt	116,326,887	2,428,341	118,755,228	-
Unrestricted	3,137,521	2,123,915	5,261,436	947,738
<b>Total net assets</b>	\$ 119,464,408	4,552,256	124,016,664	947,738

See notes to financial statements.



City of Council Bluffs  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2010

	Business Type Activities - Enterprise			Governmental Activities
	Sewer	Nonmajor	Total	Internal Service
Operating revenues:				
Charges for service	\$ 5,416,922	4,188,547	9,605,469	6,737,197
Miscellaneous	35,741	507,050	542,791	29,262
Total operating revenues	5,452,663	4,695,597	10,148,260	6,766,459
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	3,309,065
Public works	-	-	-	654,913
Health and social services	-	-	-	74,142
Culture and recreation	-	-	-	439,771
Community and economic development	-	-	-	125,657
General government	-	-	-	1,564,611
Business type activities:				
Sewer system and sewage disposal	4,816,093	-	4,816,093	-
Refuse disposal	-	4,339,362	4,339,362	-
Parks food service	-	67,195	67,195	-
Depreciation	2,415,709	177,652	2,593,361	-
Insurance	-	-	-	689,218
Total operating expenses	7,231,802	4,584,209	11,816,011	6,857,377
Operating income (loss)	(1,779,139)	111,388	(1,667,751)	(90,918)
Nonoperating revenues (expenses):				
Interest on investments	1,423	-	1,423	522
State and federal grants	220,538	26,596	247,134	-
Miscellaneous	85,790	-	85,790	-
Loss on sale of capital assets	-	(1,244)	(1,244)	-
Total nonoperating revenues (expenses)	307,751	25,352	333,103	522
Net income (loss) before contributions and transfers	(1,471,388)	136,740	(1,334,648)	(90,396)
Contributions and transfers:				
Capital contributions	11,418,641	-	11,418,641	-
Transfers in	14,330	-	14,330	420,912
Transfers out	(112,450)	-	(112,450)	(1,168,651)
Total contributions and transfers	11,320,521	-	11,320,521	(747,739)
Change in net assets	9,849,133	136,740	9,985,873	(838,135)
Net assets beginning of year, as restated	109,615,275	4,415,516	114,030,791	1,785,873
Net assets end of year	\$ 119,464,408	4,552,256	124,016,664	947,738

See notes to financial statements.

**City of Council Bluffs**

City of Council Bluffs  
Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	Business Type Activities - Enterprise			Governmental
	Sewer	Nonmajor	Total	Activities Internal Service
Cash flows from operating activities:				
Cash received from customers and users	\$ 5,475,785	4,122,745	9,598,530	6,642,400
Cash received from other sources	36,098	515,334	551,432	360,369
Cash paid for personal services	(3,827,253)	(937,100)	(4,764,353)	-
Cash paid to suppliers	(1,004,242)	(3,461,290)	(4,465,532)	(7,644,870)
Net cash provided by (used for) operating activities	680,388	239,689	920,077	(642,101)
Cash flows from noncapital financing activities:				
Nonoperating noncapital grants	-	26,596	26,596	-
Transfers from other funds	14,330	-	14,330	420,912
Transfers to other funds	(112,450)	-	(112,450)	(1,168,651)
Net cash provided by (used for) noncapital financing activities	(98,120)	26,596	(71,524)	(747,739)
Cash flows from investing activities:				
Interest on investments	1,423	-	1,423	503
Cash flows from capital and related financing activities:				
Miscellaneous revenue	2,355	-	2,355	-
Acquisition of capital assets	(1,772,614)	(10,507)	(1,783,121)	-
Principal paid on SWAP loan	-	(19,500)	(19,500)	-
Net cash used for capital and related financing activities	(1,770,259)	(30,007)	(1,800,266)	-
Net increase (decrease) in cash and cash equivalents	(1,186,568)	236,278	(950,290)	(1,389,337)
Cash and cash equivalents beginning of year, as restated	4,111,405	878,359	4,989,764	2,321,397
Cash and cash equivalents end of year	\$ 2,924,837	1,114,637	4,039,474	932,060

City of Council Bluffs  
Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	Business Type Activities - Enterprise			Governmental Activities
	Sewer	Nonmajor	Total	Internal Service
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (1,779,139)	111,388	(1,667,751)	(90,918)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:				
Depreciation expense	2,415,709	177,652	2,593,361	-
(Increase) decrease in accounts receivable	12,545	(65,802)	(53,257)	237,034
Decrease in customer accounts receivable and unbilled usage	46,318	-	46,318	-
Decrease in due from other governments	357	116	473	-
Decrease in inventories	22,037	3,825	25,862	-
Increase (decrease) in accounts payable	(13,605)	14,203	598	(788,217)
(Decrease) in salaries and benefits payable	(116,197)	(28,711)	(144,908)	-
(Decrease) in due to other governments	(132)	(78)	(210)	-
Increase in unearned revenue	-	8,284	8,284	-
Increase in compensated absences	26,260	5,295	31,555	-
Increase in net OPEB liability	38,949	7,949	46,898	-
Increase in net pension liability	27,286	5,568	32,854	-
Total adjustments	2,459,527	128,301	2,587,828	(551,183)
Net cash provided by (used for) operating activities	\$ 680,388	239,689	920,077	(642,101)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, capital assets of \$11,418,641 were contributed to the Sewer Fund by the governmental funds.

See notes to financial statements.

City of Council Bluffs  
Statement of Fiduciary Net Assets  
Agency Funds  
June 30, 2010

**Assets**

Due from other governments	<u>\$ 66,982</u>
----------------------------	------------------

**Liabilities**

Trusts payable	\$ 34,310
Due to other governments	<u>32,672</u>
<b>Total liabilities</b>	<u>66,982</u>

**Net assets**

<u>\$ -</u>
-------------

See notes to financial statements.

## City of Council Bluffs

### Notes to Financial Statements

June 30, 2010

#### **(1) Summary of Significant Accounting Policies**

The City of Council Bluffs is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also operates the airport and provides sewer and sanitation utilities for its citizens.

The financial statements of the City of Council Bluffs have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, the City of Council Bluffs has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Council Bluffs (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

##### **Discretely Presented Component Units**

The Council Bluffs Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a seven member board appointed by the Mayor, with concurrence of a majority of the City Council. The board members serve at the pleasure of the City. The City annually provides significant operating subsidies to the Authority and collects and remits the tax levied by the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented. An audit of the Council Bluffs Airport Authority has been completed by other independent auditors. A copy of the report is available for review in the Authority's office at 101 McCandless Lane, Council Bluffs, Iowa 51503.

The Council Bluffs Public Library Foundation (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, educational and literary purposes for the enhancement and improvement of the Council Bluffs Public Library. In accordance with criteria set by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Foundation are substantially for the direct benefit of the City of Council Bluffs Library.

#### Jointly Governed Organization

The City also participates in the Pottawattamie County Assessor's Conference Board, a jointly governed organization established pursuant to Chapter 441 of the Code of Iowa.

#### Related Organizations and Organizations with Joint Venture Characteristics

The City participates in several related organizations or related organizations with joint venture characteristics for which the City is not financially accountable even though the City appoints a voting majority of the organization's governing board or the organization's financial activity is reported in the City's financial statements and in another participating government's financial statements. City officials are members of or appoint representatives to the following organizations: Municipal Housing Agency, Convention and Visitors Bureau, the Pottawattamie County Communications Center Commission, the Southwest Iowa Solid Waste Management Association and the Council Bluffs Municipal Waterworks. An audit of the Council Bluffs Municipal Waterworks has been completed by other independent auditors and is filed under separate cover.

### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories/components:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

#### Restricted net assets:

Nonexpendable – Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable – Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Bass Pro Fund is used to account for the payment of interest and principal on the City's urban renewal revenue capital loan note debt and maintenance of the Bass Pro Shop.

The Special Revenue, Tax Increment Financing Fund is used to account for revenue derived from the tax authorized by ordinance in the urban renewal district and used to pay indebtedness incurred for urban renewal.

The Special Revenue, City Local Option Sales Tax Fund is used to account for revenue derived from the local option sales tax authorized by election and used for maintenance and improvements to the City's sewer and street systems.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports the following proprietary funds:

The Enterprise, Refuse and Disposal Fund is used to account for the operation and maintenance of the City's solid waste collection and recycling system.



The Enterprise, Parks Food Service Fund is used to account for operation of a concession stand at the City pool.

Internal Service Funds are used to finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the City.

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the programs. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Investments are stated at fair value except for the investments in the Iowa Public Agency Investment Trust which are valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2010 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2009.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Special and Drainage Assessments Receivable – Special and drainage assessments receivable represents the amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other tax. Assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account for governmental funds which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Due From other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land, buildings and improvements	\$ 25,000
Machinery, equipment and vehicles	5,000
Infrastructure	50,000
Intangibles	50,000

Capital assets of the City are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	40-50 years
Land improvements	10-20 years
Machinery and equipment	5-30 years
Vehicles	5-10 years
Infrastructure	20-65 years
Intangibles	7-15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end and unearned revenue.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and unearned revenue.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave benefits and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reserved for Encumbrances – An encumbrance represents commitments related to unperformed contracts for goods or services where appropriations lapse at year-end and the City intends to honor them. For governmental funds, encumbrances outstanding at year-end are disclosed by a reservation of fund balance.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, capital projects and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The City's investments at June 30, 2010 are as follows:

Type	Fair Value	Maturity
U.S. Treasury securities	\$ 299,784	November 2010

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,000,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Council Bluffs Public Library Foundation's investments at June 30, 2010 consist of mutual funds with a fair value of \$3,951,767.

Interest rate and custodial credit risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the investment of operating funds (funds reasonably expected to be expended during the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days. However, all investments of the City shall have maturities consistent with the needs and uses of the City.

Credit risk: The City's investments in the Iowa Public Agency Investment Trust are unrated.

Concentration of credit risk: The City's investment policy has the following limitations: no more than 10% of the investment portfolio may be invested in prime banker's acceptances, commercial paper or other short-term corporate debt; no more than 5% of the investment portfolio may be invested in the securities of a single issuer; and no more than 5% of all amounts invested in commercial paper or other short-term corporate debt shall be invested in paper and debt rated in the second highest classification. When possible, it is the City's policy to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer or a specific class of securities.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 26,093,863	4,683,186	-	30,777,049
Construction in progress	14,486,669	16,623,425	(9,928,579)	21,181,515
Total capital assets not being depreciated	40,580,532	21,306,611	(9,928,579)	51,958,564
Capital assets being depreciated/amortized:				
Buildings	118,019,290	576,197	-	118,595,487
Improvements other than buildings	27,050,919	782,271	(1,150,809)	26,682,381
Equipment and vehicles	19,559,214	1,034,288	(1,638,836)	18,954,666
Infrastructure, road network and other	137,379,220	4,127,011	-	141,506,231
Intangibles	464,384	62,253	-	526,637
Total capital assets being depreciated/amortized	302,473,027	6,582,020	(2,789,645)	306,265,402
Less accumulated depreciation/amortization for:				
Buildings	16,837,212	2,672,511	-	19,509,723
Improvements other than buildings	9,441,597	1,340,388	(115,081)	10,666,904
Equipment and vehicles	13,113,302	1,274,380	(1,594,891)	12,792,791
Infrastructure, road network and other	45,826,532	3,803,779	-	49,630,311
Intangibles	262,089	63,825	-	325,914
Total accumulated depreciation/amortization	85,480,732	9,154,883	(1,709,972)	92,925,643
Total capital assets being depreciated/amortized, net	216,992,295	(2,572,863)	(1,079,673)	213,339,759
Governmental activities capital assets, net	\$ 257,572,827	18,733,748	(11,008,252)	265,298,323
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,445,912	-	-	6,445,912
Construction in progress	1,516,795	13,568,215	(3,165,991)	11,919,019
Total capital assets not being depreciated	7,962,707	13,568,215	(3,165,991)	18,364,931
Capital assets being depreciated:				
Buildings	20,046,091	-	-	20,046,091
Improvements other than buildings	6,837,493	-	-	6,837,493
Equipment and vehicles	11,995,169	369,397	(112,338)	12,252,228
Infrastructure, sewer network	97,218,560	3,165,991	-	100,384,551
Total capital assets being depreciated	136,097,313	3,535,388	(112,338)	139,520,363
Less accumulated depreciation for:				
Buildings	9,180,637	386,276	-	9,566,913
Improvements other than buildings	962,062	122,618	-	1,084,680
Equipment and vehicles	6,893,842	571,705	(14,978)	7,450,569
Infrastructure, sewer network	19,430,642	1,512,762	-	20,943,404
Total accumulated depreciation	36,467,183	2,593,361	(14,978)	39,045,566
Total capital assets being depreciated, net	99,630,130	942,027	(97,360)	100,474,797
Business type activities capital assets, net	\$ 107,592,837	14,510,242	(3,263,351)	118,839,728

Depreciation/amortization expense was charged to functions of the primary government as follows:

Governmental activities:

Public safety	\$ 824,305
Public works	3,956,376
Health and social services	7,194
Culture and recreation	2,027,826
Community and economic development	2,290,417
General government	48,765
Total depreciation/amortization expense - governmental activities	<u>\$ 9,154,883</u>

Business type activities:

Sewer	\$ 2,415,709
Nonmajor enterprise fund	177,652
Total depreciation expense - business type activities	<u>\$ 2,593,361</u>

Balance Beginning of Year	Increases	Decreases	Balance End of Year
---------------------------------	-----------	-----------	---------------------------

**Discretely presented component unit -**

**Airport:**

Capital assets not being depreciated:

Land	\$ 2,192,064	-	-	2,192,064
Construction in progress	7,245,380	1,319,974	(7,670,517)	894,837
Total capital assets not being depreciated	<u>9,437,444</u>	<u>1,319,974</u>	<u>(7,670,517)</u>	<u>3,086,901</u>

Capital assets being depreciated:

Buildings	2,507,694	2,175,335	-	4,683,029
Improvements other than buildings	12,667,890	5,735,263	(596,509)	17,806,644
Equipment and vehicles	240,886	83,357	(53,188)	271,055
Total capital assets being depreciated	<u>15,416,470</u>	<u>7,993,955</u>	<u>(649,697)</u>	<u>22,760,728</u>

Less accumulated depreciation for:

Buildings	1,056,747	82,926	-	1,139,673
Improvements other than buildings	968,379	506,742	(233,633)	1,241,488
Equipment and vehicles	198,059	18,116	(52,502)	163,673
Total accumulated depreciation	<u>2,223,185</u>	<u>607,784</u>	<u>(286,135)</u>	<u>2,544,834</u>

Total capital assets being depreciated, net

13,193,285	7,386,171	(363,562)	20,215,894
------------	-----------	-----------	------------

Discretely presented component unit

capital assets, net	<u>\$ 22,630,729</u>	<u>8,706,145</u>	<u>(8,034,079)</u>	<u>23,302,795</u>
---------------------	----------------------	------------------	--------------------	-------------------

Total depreciation expense - discretely presented component unit

<u>\$ 607,784</u>
-------------------

#### (4) Long-Term Liabilities

##### Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 55,845,000	3,685,000	(13,485,000)	46,045,000	6,055,000
Urban renewal revenue capital loan note	15,168,692	-	(589,393)	14,579,299	14,579,299
Capital lease purchase agreements	253,834	-	(116,887)	136,947	76,642
HUD loan	735,000	-	(15,000)	720,000	15,000
Compensated absences	2,247,161	2,221,453	(2,088,719)	2,379,895	1,834,441
Net OPEB liability	463,737	341,802	-	805,539	-
Net pension liability	255,576	239,446	-	495,022	-
Total	\$ 74,969,000	6,487,701	(16,294,999)	65,161,702	22,560,382
Business type activities:					
SWAP loan	\$ 104,000	-	(19,500)	84,500	32,500
Compensated absences	279,513	301,475	(269,920)	311,068	217,734
Net OPEB liability	70,263	46,898	-	117,161	-
Net pension liability	38,724	32,854	-	71,578	-
Total	\$ 492,500	381,227	(289,420)	584,307	250,234

##### General Obligation Bonds/Notes Payable

General obligation bonds/notes have been issued for governmental activities. The portion of unmatured general obligation bonds/notes accounted for in governmental activities and serviced by the Debt Service Fund totaled \$46,045,000 at June 30, 2010. General obligation bonds/notes bear interest at rates ranging from 1.90% to 5.6% per annum.

On March 18, 2010, the City issued \$3,685,000 of general obligation refunding capital loan notes with an interest rate of 2.00% for a current refunding of \$3,700,000 of general obligation bonds dated May 29, 2003.

The City refunded the bonds/notes to reduce its total debt service payments by approximately \$394,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$277,000.

##### Urban Renewal Revenue Capital Loan Note

On December 15, 2005, the City issued a \$17,000,000 urban renewal revenue capital loan note. The note is subject to non-appropriation and bears interest at a variable rate, adjusted monthly, with a final balloon payment due on January 15, 2011. The note proceeds were used to defray a portion of the costs related to the development of an outdoor world retail facility (see note 20).



Principal and interest on this note are secured as follows:

- (1) Bass Pro Shop lease rental payments,
- (2) Mortgage and Security Agreement, in favor of the holder of the note, granting a first lien on the project improvements and land,
- (3) County annual appropriation economic development grant,
- (4) Iowa West Foundation, Inc. guaranty, and
- (5) Certain annual appropriations totaling \$10,243,220 to be made by the City.

During the year ended June 30, 2010, principal payments of \$589,393 and interest payments of \$210,210 were made by the City.

#### Capital Lease Purchase Agreements

The City has entered into three capital lease purchase agreements to a lease telephone system, mowers and a street sweeper with historical costs of \$68,531, \$90,320 and \$152,428, respectively. The following is a schedule of the future minimum lease payments, including interest at 8.17% per annum for the telephone lease, 5.00% per annum for the mower lease and 4.18% per annum for the street sweeper lease, and the present value of net minimum lease payments under the agreements in effect at June 30, 2010:

Year Ending June 30,	Governmental Activities			
	Telephone System	Mowers	Street Sweeper	Total
2011	16,740	23,130	43,499	83,369
2012	18,135	-	43,499	61,634
2013	1,395	-	-	1,395
Total minimum lease payments	36,270	23,130	86,998	146,398
Less interest	3,184	1,101	5,166	9,451
Present value of net minimum lease	\$ 33,086	22,029	81,832	136,947

Payments under the governmental activities capital lease purchase agreements totaled \$126,414 for the year ended June 30, 2010.

The historical cost of assets acquired under the above capital leases and included in capital assets on the governmental activities government-wide statements at June 30, 2010 is as follows:

Equipment	\$ 311,279
Accumulated depreciation	(76,730)
Net	<u>\$ 234,549</u>

### Solid Waste Alternative Program (SWAP) Loan

In September 2008, the City entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of equipment for the recycling program. The agreement awarded up to \$150,000 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$130,000. The term of the loan is 60 months and requires 20 quarterly payments of \$6,500 beginning October 15, 2008. At June 30, 2010, a total of \$150,000 has been drawn on the loans, including \$20,000 of the forgivable loan.

Details of the City's SWAP loan at June 30, 2010 are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Principal</u>
2011	32,500
2012	26,000
2013	19,500
2014	6,500
Total	<u>\$ 84,500</u>

The City paid \$19,500 in principal under the agreement during the year ended June 30, 2010.

### Sewer Revenue Capital Loan Notes

On February 11, 2010, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of up to \$375,000 of sewer revenue capital loan notes with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. A portion of the agreement was issued using proceeds of the American Recovery and Reinvestment Act of 2009 and includes a provision for forgiving \$75,000 of the notes upon completion of the project and compliance with federal regulations. Principal or interest payments are not required until determination is made regarding whether or not the notes will be forgiven.

The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the sewer utility system. The City will draw down funds from the DNR upon request to reimburse the City for costs as they are incurred. At June 30, 2010, the City had not drawn down any of the authorized amount. An initiation fee of 1% of the authorized borrowing for the sewer revenue capital loan notes will be charged by the Iowa Finance Authority and withheld from the first proceeds of the sewer revenue capital loan notes drawn by the City.

On February 11, 2010, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of up to \$945,000 of sewer revenue capital loan notes with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. A portion of the agreement was issued using proceeds of the American Recovery and Reinvestment Act of 2009 and includes a provision for forgiving \$188,000 of the notes upon completion of the project and compliance with federal regulations. Principal or interest payments are not required until determination is made regarding whether or not the notes will be forgiven.

The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the sewer utility system. The City will draw down funds from the DNR upon request to reimburse the City for costs as they are incurred. At June 30, 2010, the City had not drawn down any of the authorized amount. An initiation fee of 1% of the authorized borrowing for the sewer revenue capital loan notes will be charged by the Iowa Finance Authority and withheld from the first proceeds of the sewer revenue capital loan notes drawn by the City.

Governmental activities:

Details of general obligation bonds/notes payable at June 30, 2010 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2010
General obligation bonds:						
Essential corporate purpose	Mar 1, 2004	2.500-3.950%	June 1, 2019	\$100,000-515,000	4,500,000	3,940,000
Essential corporate purpose	May 17, 2005	3.500-4.000	June 1, 2019	380,000-520,000	8,000,000	6,775,000
Essential corporate purpose	Apr 10, 2006	4.000-4.200	June 1, 2020	100,000-2,945,000	8,220,000	3,960,000
Corporate purpose	May 1, 2007	4.000	June 1, 2020	100,000-2,100,000	8,965,000	8,665,000
Essential corporate purpose	May 1, 2007	3.700-4.000	June 1, 2020	155,000-240,000	2,150,000	1,995,000
Corporate purpose	Jun 23, 2008	3.250-4.000	June 1, 2021	140,000-805,000	7,615,000	7,475,000
Essential corporate purpose	Jun 9, 2009	2.100-5.600	June 1, 2024	50,000-660,000	7,165,000	7,115,000
General obligation capital loan notes:						
Essential corporate purpose	Apr 9, 2009	1.900	June 1, 2011	2,435,000	2,435,000	2,435,000
Essential corporate purpose	Mar 18, 2010	2.000-2.500	June 1, 2015	690,000 - 780,000	3,685,000	3,685,000
Total governmental activities						<u>\$ 46,045,000</u>

Details of the urban renewal revenue capital loan note payable at June 30, 2010 are as follows:

Obligation	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2010
Capital loan note	Dec 15, 2005	1.59% *	Jan 15, 2011	\$ 502,394 - 14,579,299	17,000,000	<u>\$ 14,579,299</u>

\* This is a variable rate with 115 basis points added to the 30-day LIBOR index, adjusted monthly.

A summary of the annual principal and interest payments to maturity is as follows:

Year Ending June 30,	General Obligation Bonds/Notes			Urban Renewal Revenue Capital Loan Note		
	Principal	Interest	Total	Principal	Interest*	Total
2011	\$ 6,055,000	1,702,875	7,757,875	\$ 14,579,299	107,448	14,686,747
2012	5,745,000	1,530,252	7,275,252	-	-	-
2013	5,400,000	1,333,834	6,733,834	-	-	-
2014	5,225,000	1,147,549	6,372,549	-	-	-
2015	5,050,000	967,048	6,017,048	-	-	-
2016-2020	15,305,000	2,610,241	17,915,241	-	-	-
2021-2024	3,265,000	378,430	3,643,430	-	-	-
Total	<u>\$ 46,045,000</u>	<u>9,670,229</u>	<u>55,715,229</u>	<u>\$ 14,579,299</u>	<u>107,448</u>	<u>14,686,747</u>

\* Annual interest payments are estimated since the interest rate on this note varies.

At June 30, 2010, the general obligation debt issued by the City did not exceed its legal debt margin, computed as follows:

Actual valuation	<u>\$ 4,142,695,793</u>
Debt limit – 5% of total actual valuation	\$ 207,134,790
Less debt applicable to debt limit:	
General obligation debt outstanding	46,045,000
Capital lease purchase agreements	136,947
Tax increment indebtedness	<u>22,455,560</u>
Legal debt margin	<u>\$ 138,497,283</u>

**(5) U.S. Department of Housing and Urban Development (HUD) Loan**

HUD Loan to City

On August 20, 2007, the City entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) to borrow \$750,000 under the provisions of the HUD Section 108 Loan Guarantee Program. The loan, for the purpose discussed below, is evidenced by a promissory note with a variable interest rate equal to 20 basis points (0.2%) above the applicable London Interbank Offered Rates (LIBOR), adjusted monthly. Interest is payable quarterly on the loan and principal is due annually for twenty years, beginning August 1, 2008 and ending August 1, 2027. During the year ended June 30, 2010, the City paid \$15,000 of principal and \$4,953 of interest on the loan. Below is a summary of the annual principal and interest payments to maturity.

Year Ending June 30,	Principal	Interest *	Total
2011	15,000	5,189	20,189
2012	15,000	5,078	20,078
2013	15,000	4,968	19,968
2014	15,000	4,858	19,858
2015	15,000	4,747	19,747
2016-2020	150,000	20,792	170,792
2021-2025	270,000	12,622	282,622
2026-2028	225,000	1,730	226,730
Total	<u>\$ 720,000</u>	<u>59,984</u>	<u>779,984</u>

\* Annual interest payments are estimated since the interest rate on this loan varies (the interest rate at June 30, 2010 is approximately .74% per annum).

Note Receivable to City

On September 7, 2007, the City entered into a \$750,000 leverage loan agreement with TC-Council Bluffs QEI, LLC, a Delaware limited liability company (obligor) for investment through NDC New Markets Investments XXVIII, L.P. for 117 Pearl Street, LLC, qualifying as a QALICB under section 45D of the Internal Revenue Code. The purpose of the agreement was to loan the HUD loan proceeds to assist with the redevelopment of the former NonPareil building in conjunction with the Pottawattamie County Development Corporation and J Development. The Section 108 funds were loaned through NDC New Markets Investments XXVIII, L.P. to accommodate the infusion of new market tax credits. The loan to the obligor is evidenced by a promissory note to the City with a variable interest rate equal to 20 basis points (0.2%) above the applicable London Interbank Offered Rates (LIBOR), adjusted monthly. The note is secured by an assignment and pledge for security purposes of the partnership interests of all the obligor's interest in NDC New Markets Investments XXVIII, L.P.

Principal on this note receivable is fully due and payable to the City no later than June 1, 2015. Prior to that date, the obligor shall make quarterly payments of accrued interest only, commencing on September 1, 2007 and continuing until June 1, 2015. During the year ended June 30, 2010, \$5,201 of interest was paid to the City on the note.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Bass Pro	\$ 39,548
	Nonmajor	9,336,156
		<u>9,375,704</u>
Special Revenue:	Special Revenue:	
Bass Pro	Tax Increment Financing	<u>787,458</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	1,952,397
	City Local Option Sales Tax	750,000
	Enterprise:	
	Sewer	112,450
		<u>2,814,847</u>
Capital Projects	General	100,000
	Special Revenue:	
	Tax Increment Financing	142,449
	Nonmajor	501,403
		<u>743,852</u>
Special Revenue:	Special Revenue:	
Nonmajor	Nonmajor	538,978
	Internal Service	1,168,651
		<u>1,707,629</u>
Enterprise:	Special Revenue:	
Sewer	Tax Increment Financing	<u>14,330</u>
Internal Service	Special Revenue:	
	Nonmajor	<u>420,912</u>
Total		<u>\$ 15,864,732</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(7) Interfund Assets/Liabilities**

The detail of advances to/from other funds is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Tax Increment Financing	<u>\$ 2,035,446</u>

The advance to/from other funds resulted from a borrowing of gaming revenues for the payment of debt related to an urban renewal project. The borrowing will be repaid over several years with tax increment financing collections.

The detail of due to/from other funds is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	CDBG Grant	\$ 26,858
	Miscellaneous	352,447
	Debt Service	400,000
	Capital Projects	120,941
		<u>900,246</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Miscellaneous	<u>64,127</u>
Enterprise:	Special Revenue:	
Sewer	Miscellaneous	<u>17,878</u>
Special Revenue:		
Fire Pension	General	<u>7,573</u>
Total		<u>\$ 989,824</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

#### **(8) Pension and Retirement Benefits**

##### Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll for the current year. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$957,822, \$833,422 and \$741,224, respectively, equal to the required contributions for each year.

##### Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit retirement system administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104<sup>th</sup> Street, Des Moines, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2010, 2009 and 2008 were \$2,335,485, \$2,358,269 and \$3,057,321, respectively, which met the required minimum contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 426 active and 36 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 411,400
Interest on net OPEB obligation	13,400
Adjustment to annual required contribution	(5,600)
Annual OPEB cost	419,200
Contributions made	(30,500)
Increase in net OPEB obligation	388,700
Net OPEB obligation beginning of year	534,000
Net OPEB obligation end of year	\$ 922,700

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City contributed \$30,500 to the medical plan. Plan members eligible for benefits contributed \$319,600, or 91.3% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 419,200	7.3%	\$ 922,700

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$3,543,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,543,000. The covered payroll (annual

payroll of active employees covered by the plan) was approximately \$27,837,000 and the ratio of the UAAL to covered payroll was 12.7%. As of June 30, 2010, there were no trust fund assets.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report and applying the termination factors used in the MFPRSI and IPERS Actuarial valuation reports.

Projected claim costs of the medical plan range are \$577 per month for retirees less than age 65. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

#### **(10) Supplemental Pension Plan**

**Plan Description** - The City provides a defined benefit supplemental pension (severance pay) benefit to eligible employees. Currently, all union and non-union employees, except police union members who have completed one year of continuous service with the City and who do not voluntarily resign and are not discharged for cause, are eligible for this benefit.

There are 426 active members in the plan as of June 30, 2010. The pension benefit is defined in terms of hourly rates of pay by employee, payable in one lump sum upon retirement or termination. The benefit (severance pay) is paid based on the following continuous service requirements:

Years of Service	Amount of Severance	
	40 Hour Schedule	56 Hour Schedule
More than 1, but less than 5	40 hours pay	56 hours pay
More than 5, but less than 10	80 hours pay	112 hours pay
More than 10, but less than 15	120 hours pay	168 hours pay
More than 15	160 hours pay	224 hours pay



Funding Policy – Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General, Special Revenue, Road Use Tax and Enterprise, Sewer and Refuse and Disposal Funds are used for funding all the pension benefits. The City makes all the contributions.

Annual Pension Cost and Net Pension Obligation - The City's annual pension cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual pension cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net pension obligation:

Annual required contribution	\$ 337,200
Interest on net pension obligation	14,700
Adjustment to annual required contribution	(20,800)
Annual pension cost (expense)	331,100
Pension payments made	(58,800)
Increase in net pension obligation	272,300
Net pension obligation beginning of year	294,300
Net pension obligation end of year	<u>\$ 566,600</u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2008. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City contributed \$58,800 to the pension plan. The City's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2009	\$ 331,100	17.8%	\$ 566,600

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$5,859,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,859,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$27,837,000 and the ratio of the UAAL to covered payroll was 21.0%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and employee retirement age. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the

actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the aggregate actuarial cost method as a percent of pay was used. The actuarial assumption includes a 5% discount rate based on the City's funding policy.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(11) Transit Authority Agreement**

The City has contracted for transit service on a regular, scheduled basis over certain routes within the City. The contract provides the City shall pay the net operating cost of service over these routes within the City. During the year ended June 30, 2010, the City paid \$530,186 under this contract.

**(12) Pending Litigation and Contingent Liabilities**

The City is subject to pending litigation seeking damages. The amount and probability of loss, if any, is not determinable. The City is self-insured for the first \$500,000 of loss.

**(13) Industrial Development Revenue Bonds**

The City has issued a total of \$47,780,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

**(14) Employee Health Insurance Plan**

The Internal Service, Iowa Governmental Health Care Plan Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Iowa Governmental Health Care Plan. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the deductible of \$2,500/\$5,000 per single/family plan with a maximum out of pocket expense of \$5,000/\$10,000 per single/family plan. The deductible and maximum out of pocket expense for the city is reduced by the deductible amount paid by the employee of \$100/\$300 per single/family plan and employee maximum out of pocket expense of \$1,000/\$2,000 per single/family plan. Claims in excess of deductibles are covered by Iowa Governmental Health Care Plan.

Monthly payments of service fees and plan contributions to the Iowa Governmental Health Care Plan Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Liberty Bank, Council Bluffs, Iowa and Iowa Governmental Health

Care Plan administers the plan funds. The City records the plan assets and related liabilities of the Iowa Governmental Health Care Plan Fund as an Internal Service Fund. The City's contribution to the fund for the year ended June 30, 2010 was \$5,519,682. As of July 1, 2010, the Internal Service Fund was closed out and the plan's activity is recorded in the City's General Fund.

Amounts payable from the Iowa Governmental Health Care Plan Fund at June 30, 2010 total \$150,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims as of July 1, 2009	\$ 787,493
Incurred claims (including claims incurred but not reported as of June 30, 2010)	5,223,426
Payments on claims	(5,860,919)
Unpaid claims as of June 30, 2010	<u>\$ 150,000</u>

**(15) Deficit Fund Balances**

The Special Revenue, Tax Increment Financing and Debt Service Funds had deficit fund balances of \$1,684,127 and \$271,325, respectively, at June 30, 2010. The deficit balances will be eliminated through the future collection of tax increment financing and property tax revenues.

**(16) Construction Commitments**

Construction commitments at June 30, 2010 totaled \$16,320,000, which will be paid as work on the projects progresses. These projects will be funded through general obligation notes, grants and local funds on hand.

**(17) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance and \$500,000 self-insured retention on liability and auto coverage only and \$500,000 on worker's compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(18) CDBG Installment Loan Escrow Fund**

During the year ended June 30, 1977, the City received funding for an individual housing rehabilitation loan program from the U.S. Department of Housing and Urban Development. These funds were subsequently loaned to individuals in the City. The loans receivable and loan payments received from the individuals are accounted for in the Special Revenue, CDBG Grant Fund. The Special Revenue, CDBG Installment Loan Escrow Fund receives a portion of loan payments for payment of property tax and insurance. Active loans during the year ended June 30, 2010 carry an interest rate of 3% per annum and have terms ranging from 10 to 20 years. At June 30, 2010, there were 76 active loans with a total outstanding principal balance of \$737,758, which is included in loans receivable in these financial statements.

**(19) Urban Renewal Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of incremental property tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$31,712,245. Certain of the agreements include provisions for payment of interest.

During the year ended June 30, 2010, the City rebated \$1,003,503 of incremental property tax to developers, which included \$971,729 for principal and \$31,774 for interest. The total cumulative principal amount rebated on the agreements is \$4,143,426. The outstanding balance on the agreements at June 30, 2010 was \$27,568,819.

The agreements are not general obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements are subject to the constitutional debt limitation of the City.

Certain agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements not including an annual appropriation clause is subject to the constitutional debt limitation.

**(20) Economic Development Agreements**

Mid-American Recreation & Convention Complex

On July 24, 2001, the City entered into an agreement with the Council Bluffs Community Betterment Foundation, the Iowa West Foundation (IWF), the Southwest Iowa Foundation and Harvey's Casino Resorts to develop a project known as the Mid-American Recreation & Convention Complex. As part of this agreement, the City has agreed to dedicate certain excess hotel/motel receipts, up to a maximum of \$5,000,000, to reimburse the IWF for some of the project costs. Excess hotel/motel collections are those remaining after the City has satisfied certain other commitments of these funds. The City's obligation under this agreement will expire at the earliest of December 31, 2015 or when the IWF has been fully reimbursed. During the year ended June 30, 2010, the City paid \$232,837 to the IWF pursuant to this agreement.

Bass Pro Outdoor World, L.L.C.

On October 22, 2004, the City entered into an agreement with Pottawattamie County, the Iowa West Foundation, the Southwest Iowa Foundation and the Council Bluffs Community Betterment Foundation (CBF) to develop an outdoor world retail facility. The project was financed and constructed by the CBF for use and occupancy by Bass Pro Outdoor World, L.L.C., lessee (Bass Lease). As part of this agreement, the City will own and maintain the facility and has issued a \$17,000,000 urban renewal revenue capital loan note to reimburse CBF for some of the project costs. As discussed in Note 4, the note is secured in various forms by the development agreement participants. Pursuant to the agreement, the City established a Trust Account through First National Bank of Omaha as trustee. Deposits into this account include all sources of funding securing the note and all lease payments required under the Bass Lease. Funds in the trust account are to be used to pay real estate tax on the property, retire the urban renewal revenue capital loan note and pay operating and maintenance expenses related to the facility. This trust account is reported by the City in the Special Revenue, Bass Pro Fund.

During the year ended June 30, 2010, the City transferred \$787,458 into this fund from the Special Revenue, Tax Increment Financing Fund to fulfill part of its obligation under the economic development agreement.

### City of Council Bluffs Area Chamber of Commerce

On March 26, 2008, the City entered into an agreement with the City of Council Bluffs Area Chamber of Commerce (Chamber of Commerce). As part of the agreement, the City has agreed to dedicate certain excess hotel/motel receipts to the Chamber of Commerce for the purpose of promoting the City as both a convention site and a visitor attraction. The City's obligation under this agreement commenced on July 1, 2008 and terminates on June 30, 2013. Pursuant to the agreement, the City is to pay \$400,000 in the first year of the agreement with a 7.5% increase in funding in each of the following four years.

During the year ended June 30, 2010, the City paid \$430,000 to the Chamber of Commerce as part of its obligation under the economic development agreement.

#### **(21) Subsequent Events**

On July 26, 2010, the City approved the issuance of \$7.3 million of general obligation bonds, series 2010C to provide funds for general and essential corporate purposes, including sewer projects, park improvements, relief wells and ambulance and fire equipment. The bonds bear interest at 3% per annum for a term of fifteen years. The final payment will be made on June 1, 2025.

On October 25, 2010, the City approved the execution of a loan agreement with US Bank, not to exceed \$14,500,000, for the purpose of re-financing the urban renewal revenue capital loan note maturing in January 2011. The loan has a variable interest rate, LIBOR plus 2.10%, for a term of three years.

#### **(22) Accounting Change/Restatement and Reclassification of Beginning Fund Balances**

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Beginning net assets and capital assets for governmental activities were restated to retroactively report intangible assets acquired prior to July 1, 2009, as noted in the table below.

In addition, in prior years, the City reported a portion of the local option sales tax activity in both the Special Revenue, City Local Option Sales Tax and the Enterprise, Sewer Funds. At July 1, 2009, the balance of the local option sales tax activity previously accounted for in the Enterprise, Sewer Fund was reclassified to the Special Revenue, City Local Option Sales Tax Fund. Accordingly, beginning net assets for governmental activities, business type activities and Enterprise Funds, beginning fund balance for the Special Revenue, City Local Option Sales Tax Fund and beginning cash and cash equivalents for the Enterprise, Sewer Fund have been restated to reflect this reclassification, as noted below:

	<u>Net Assets</u>	<u>Capital Assets</u>
<b>Governmental activities:</b>		
Balances June 30, 2009, as previously reported	\$ 228,609,105	257,370,532
Increase for intangible assets, less accumulated amortization	202,295	202,295
Increase for reclassification of local option sales tax activity	2,927,149	-
Balances July 1, 2009, as restated	<u>\$ 231,738,549</u>	<u>257,572,827</u>

	Business Type Activities	Enterprise, Sewer Fund	Special Revenue, City Local Option Sales Tax Fund	Enterprise, Sewer Fund Cash and Cash Equivalents
Net assets/fund balance, cash and cash equivalents, June 30, 2009, as previously reported	\$ 116,957,940	112,542,424	7,351,986	6,770,702
Increase (decrease) due to reclassification of local option sales tax activity	(2,927,149)	(2,927,149)	2,927,149	(2,659,297)
Balance July 1, 2009, as restated	<u>\$ 114,030,791</u>	<u>109,615,275</u>	<u>10,279,135</u>	<u>4,111,405</u>

**City of Council Bluffs**

### **Required Supplementary Information**



City of Council Bluffs

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - Governmental Funds and Enterprise Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
Receipts:			
Property tax	\$ 36,257,809	-	36,257,809
Tax increment financing	3,362,758	-	3,362,758
Other city tax	18,565,800	-	18,565,800
Licenses and permits	1,046,231	-	1,046,231
Use of money and property	1,017,880	1,156	1,019,036
Intergovernmental	12,454,773	26,596	12,481,369
Charges for service	3,696,817	10,146,460	13,843,277
Special and drainage assessments	231,044	-	231,044
Miscellaneous	7,109,187	-	7,109,187
Total receipts	83,742,299	10,174,212	93,916,511
Disbursements:			
Public safety	25,945,168	-	25,945,168
Public works	7,347,544	-	7,347,544
Health and social services	542,117	-	542,117
Culture and recreation	6,289,541	-	6,289,541
Community and economic development	5,049,034	-	5,049,034
General government	9,942,231	-	9,942,231
Debt service	12,585,151	-	12,585,151
Capital projects	28,402,031	-	28,402,031
Business type activities	-	11,026,382	11,026,382
Total disbursements	96,102,817	11,026,382	107,129,199
Excess (deficiency) of receipts over (under) disbursements	(12,360,518)	(852,170)	(13,212,688)
Other financing sources (uses), net	2,043,087	(98,120)	1,944,967
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(10,317,431)	(950,290)	(11,267,721)
Balance beginning of year, as restated	39,965,021	4,989,764	44,954,785
Balance end of year	\$ 29,647,590	4,039,474	33,687,064

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
36,048,688	36,048,688	209,121
4,518,200	4,518,200	(1,155,442)
19,790,942	19,790,942	(1,225,142)
1,258,600	1,258,600	(212,369)
630,000	1,250,000	(230,964)
8,730,343	10,543,343	1,938,026
13,454,903	13,454,903	388,374
102,000	102,000	129,044
2,647,147	6,689,147	420,040
87,180,823	93,655,823	260,688
25,685,077	25,785,077	(160,091)
7,401,916	7,401,916	54,372
550,141	550,141	8,024
5,587,132	6,037,132	(252,409)
5,535,102	5,535,102	486,068
9,625,520	10,425,520	483,289
10,870,490	16,370,490	3,785,339
9,037,550	24,037,550	(4,364,481)
9,869,550	10,519,550	(506,832)
84,162,478	106,662,478	(466,721)
3,018,345	(13,006,655)	(206,033)
-	3,729,000	(1,784,033)
3,018,345	(9,277,655)	(1,990,066)
35,473,651	44,710,020	244,765
38,491,996	35,432,365	(1,745,301)

City of Council Bluffs  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 83,742,299	1,721,399	85,463,698
Expenditures	96,102,817	(1,034,651)	95,068,166
Net	(12,360,518)	2,756,050	(9,604,468)
Other financing sources (uses)	2,043,087	(1,151,263)	891,824
Beginning fund balances, as restated	39,965,021	4,669,675	44,634,696
Ending fund balances	\$ 29,647,590	6,274,462	35,922,052

	Enterprise Funds		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 10,174,212	308,395	10,482,607
Expenses	11,026,382	790,873	11,817,255
Net	(852,170)	(482,478)	(1,334,648)
Other financing sources (uses)	(98,120)	11,418,641	11,320,521
Beginning net assets, as restated	4,989,764	109,041,027	114,030,791
Ending net assets	\$ 4,039,474	119,977,190	124,016,664

See accompanying independent auditor's report.

## City of Council Bluffs

### Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service and Agency Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$22,500,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements in the public safety, culture and recreation, capital projects and business type activities functions exceeded the amounts budgeted.

#### **Reclassification of Beginning Fund Balances**

In prior years, the City reported a portion of the local option sales tax activity in both the Special Revenue, City Local Option Sales Tax and the Enterprise, Sewer Funds. At July 1, 2009, the balance of the local option sales tax activity previously accounted for in the Enterprise, Sewer Fund was reclassified to the Special Revenue, City Local Option Sales Tax Fund. This reclassification increased the cash balance of the Governmental Funds by \$2,659,297 and reduced the cash balance of the Enterprise Funds by the same amount.

---

City of Council Bluffs

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 5,177	5,177	0.00%	\$ 23,160	22.4%
2010	Jul 1, 2009	-	3,543	3,543	0.00%	27,837	12.7%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

City of Council Bluffs

Schedule of Funding Progress for the  
Supplemental Pension Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 5,859	5,859	0.00%	\$ 23,160	25.3%
2010	Jul 1, 2008	-	5,859	5,859	0.00%	27,837	21.0%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

**City of Council Bluffs**

### **Other Supplementary Information**



City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program	CDBG Installment Loan Escrow	Community Development Non-capital Projects	Forfeited Assets
<b>Assets</b>							
Cash and pooled investments	\$ 3,633,522	-	-	227,112	16,950	87,158	51,651
Receivables:							
Property tax:							
Delinquent	-	10,147	-	-	-	-	-
Succeeding year	-	512,000	-	-	-	-	-
Accounts	445	-	-	-	1,376	37,500	-
Special and drainage assessments	84	-	-	-	-	-	-
Loans	-	-	737,758	-	-	-	-
Note	-	-	-	-	-	750,000	-
Due from other funds	64,127	-	-	-	-	-	-
Due from other governments	349,554	-	327,905	-	-	39,990	-
Inventories	994,120	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 5,041,852</b>	<b>522,147</b>	<b>1,065,663</b>	<b>227,112</b>	<b>18,326</b>	<b>914,648</b>	<b>51,651</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 21,481	-	26,139	76,912	-	22,378	-
Salaries and benefits payable	43,875	-	6,418	-	-	-	-
Due to other funds	-	-	26,858	-	-	-	-
Due to other governments	3,109	-	-	-	-	-	-
Deferred revenue:							
Succeeding year property tax	-	512,000	-	-	-	-	-
Other	2,337	1,963	327,905	-	-	37,500	-
Total liabilities	70,802	513,963	387,320	76,912	-	59,878	-
Fund balances:							
Reserved for:							
Encumbrances	-	-	-	-	-	-	-
Inventories	994,120	-	-	-	-	-	-
Loans receivable	-	-	737,758	-	-	750,000	-
Cemetery care	-	-	-	-	-	-	-
Unreserved	3,976,930	8,184	(59,415)	150,200	18,326	104,770	51,651
Total fund balances	4,971,050	8,184	678,343	150,200	18,326	854,770	51,651
<b>Total liabilities and fund balances</b>	<b>\$ 5,041,852</b>	<b>522,147</b>	<b>1,065,663</b>	<b>227,112</b>	<b>18,326</b>	<b>914,648</b>	<b>51,651</b>

Special Revenue								
Employees' Retirement	Workers' Compensation	Unemployment Compensation	Fire and Police Retirement	City Insurance	Drainage Districts			
					Mosquito Creek #22	Sieck #32	West Lewis #35	Lake Manawa SSMID
343,537	491,443	33,833	1,919,165	864,852	99,225	127,999	300,412	118,119
24,264	16,424	373	51,371	82,868	-	-	-	-
1,394,000	832,000	19,000	1,320,000	4,623,000	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	44,462	36,194	45,463	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,761,801	1,339,867	53,206	3,290,536	5,570,720	143,687	164,193	345,875	118,119
-	-	-	-	-	-	-	-	11,145
-	-	-	-	-	130	130	130	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,394,000	832,000	19,000	1,320,000	4,623,000	-	-	-	-
4,693	3,176	72	9,935	16,026	43,456	35,370	42,524	-
1,398,693	835,176	19,072	1,329,935	4,639,026	43,586	35,500	42,654	11,145
-	-	-	-	-	-	2,400	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
363,108	504,691	34,134	1,960,601	931,694	100,101	126,293	303,221	106,974
363,108	504,691	34,134	1,960,601	931,694	100,101	128,693	303,221	106,974
1,761,801	1,339,867	53,206	3,290,536	5,570,720	143,687	164,193	345,875	118,119

City of Council Bluffs  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue					
	Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscellaneous	Fire Pension
<b>Assets</b>						
Cash and pooled investments	19,074	120,978	134,403	299,784	1,325,614	2,956
Receivables:						
Property tax:						
Delinquent	-	-	-	-	-	34
Succeeding year	-	-	-	-	-	1,129,000
Accounts	1	6	7	-	568	-
Special and drainage assessments	-	-	-	-	18,869	-
Loans	-	-	-	-	-	-
Note	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	7,573
Due from other governments	-	-	-	-	283,482	-
Inventories	-	-	-	-	-	-
<b>Total assets</b>	<b>19,075</b>	<b>120,984</b>	<b>134,410</b>	<b>299,784</b>	<b>1,628,533</b>	<b>1,139,563</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	-	2,783	-	-	13,447	-
Salaries and benefits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	434,452	-
Due to other governments	-	20	-	-	324	-
Deferred revenue:						
Succeeding year property tax	-	-	-	-	-	1,129,000
Other	-	-	-	-	634,338	34
Total liabilities	-	2,803	-	-	1,082,561	1,129,034
Fund balances:						
Reserved for:						
Encumbrances	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Cemetery care	-	-	-	-	-	-
Unreserved	19,075	118,181	134,410	299,784	545,972	10,529
Total fund balances	19,075	118,181	134,410	299,784	545,972	10,529
<b>Total liabilities and fund balances</b>	<b>19,075</b>	<b>120,984</b>	<b>134,410</b>	<b>299,784</b>	<b>1,628,533</b>	<b>1,139,563</b>

See accompanying independent auditor's report.

Retirees - 411 Benefits	Police Cash Property Management	Total	<u>Permanent</u>	
			Fairview Cemetery Perpetual Care	Total
-	95	10,217,882	59,920	10,277,802
2,419	-	187,900	-	187,900
225,000	-	10,054,000	-	10,054,000
-	-	39,903	-	39,903
-	-	145,072	-	145,072
-	-	737,758	-	737,758
-	-	750,000	-	750,000
-	-	71,700	-	71,700
-	-	1,000,931	-	1,000,931
-	-	994,120	-	994,120
227,419	95	24,199,266	59,920	24,259,186
-	-	174,285	-	174,285
-	-	50,683	-	50,683
-	-	461,310	-	461,310
-	-	3,453	-	3,453
225,000	-	10,054,000	-	10,054,000
440	-	1,159,769	-	1,159,769
225,440	-	11,903,500	-	11,903,500
-	-	2,400	-	2,400
-	-	994,120	-	994,120
-	-	1,487,758	-	1,487,758
-	-	-	59,920	59,920
1,979	95	9,811,488	-	9,811,488
1,979	95	12,295,766	59,920	12,355,686
227,419	95	24,199,266	59,920	24,259,186

City of Council Bluffs

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2010

	Special						
	Road Use Tax	Emergency Levy	CDBG Grant	HOME Program	CDBG Installment Loan Escrow	Community Development Non-capital Projects	Forfeited Assets
Revenues:							
Property tax	\$ -	538,753	-	-	-	-	-
Other city tax	-	51,532	-	-	-	-	-
Licenses and permits	71,118	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	202	-
Intergovernmental	5,440,294	-	763,257	296,912	-	97,710	-
Charges for service	55,073	-	4,480	-	-	-	-
Special and drainage assessments	30	-	-	-	-	-	-
Miscellaneous	20,990	-	137,698	49,000	32,879	81,509	3,209
Total revenues	5,587,505	590,285	905,435	345,912	32,879	179,421	3,209
Expenditures:							
Operating:							
Public safety	-	-	-	-	-	-	5,340
Public works	4,946,440	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	-	-	946,206	352,312	37,113	233,977	-
General government	857,021	-	-	-	-	-	-
Total expenditures	5,803,461	-	946,206	352,312	37,113	233,977	5,340
Excess (deficiency) of revenues over (under) expenditures	(215,956)	590,285	(40,771)	(6,400)	(4,234)	(54,556)	(2,131)
Other financing sources (uses):							
Operating transfers in	1,227,619	-	-	-	-	-	-
Operating transfers out	-	(590,738)	-	-	-	-	-
Total other financing sources (uses)	1,227,619	(590,738)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,011,663	(453)	(40,771)	(6,400)	(4,234)	(54,556)	(2,131)
Fund balances beginning of year	3,959,387	8,637	719,114	156,600	22,560	909,326	53,782
Fund balances end of year	\$ 4,971,050	8,184	678,343	150,200	18,326	854,770	51,651

Revenue								
Employees' Retirement	Workers' Compensation	Unemployment Compensation	Fire and Police Retirement	City Insurance	Drainage Districts			
					Mosquito Creek #22	Sieck #32	West Lewis #35	Lake Manawa SSMID
1,410,509	954,806	21,700	2,986,353	4,817,431	-	-	-	-
-	-	-	2,167	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,024	693	16	-	4,950	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	45,827	37,458	47,021	102,510
-	-	-	-	-	-	-	-	-
1,411,533	955,499	21,716	2,988,520	4,822,381	45,827	37,458	47,021	102,510
-	-	-	-	-	-	-	-	-
-	-	-	-	-	24,760	18,547	12,188	-
-	-	-	-	-	-	-	-	63,551
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	24,760	18,547	12,188	63,551
1,411,533	955,499	21,716	2,988,520	4,822,381	21,067	18,911	34,833	38,959
-	436,753	-	-	-	-	-	-	-
(1,447,150)	(964,952)	(18,658)	(2,355,483)	(4,739,189)	-	-	-	-
(1,447,150)	(528,199)	(18,658)	(2,355,483)	(4,739,189)	-	-	-	-
(35,617)	427,300	3,058	633,037	83,192	21,067	18,911	34,833	38,959
398,725	77,391	31,076	1,327,564	848,502	79,034	109,782	268,388	68,015
363,108	504,691	34,134	1,960,601	931,694	100,101	128,693	303,221	106,974

City of Council Bluffs

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2010

	Special Revenue					
	Library Building	Library Memorials and Gifts	Dodge Soldiers' Investment	4th Street Parking Garage Investment	Miscel- laneous	Fire Pension
Revenues:						
Property tax	-	-	-	-	-	4,678
Other city tax	-	-	-	-	-	448
Licenses and permits	-	-	-	-	300	-
Use of money and property	13	91	82	2,967	-	-
Intergovernmental	-	-	-	-	567,870	-
Charges for service	-	-	-	-	12,079	-
Special and drainage assessments	-	-	-	-	-	-
Miscellaneous	-	159,929	-	-	803,092	-
Total revenues	13	160,020	82	2,967	1,383,341	5,126
Expenditures:						
Operating:						
Public safety	-	-	-	-	416,423	-
Public works	-	-	-	-	-	-
Health and social services	-	-	-	-	13,696	-
Culture and recreation	8,672	173,037	-	-	244,433	-
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	842,843	-
Total expenditures	8,672	173,037	-	-	1,517,395	-
Excess (deficiency) of revenues over (under) expenditures	(8,659)	(13,017)	82	2,967	(134,054)	5,126
Other financing sources (uses):						
Operating transfers in	-	-	-	-	23,257	20,000
Operating transfers out	-	(79,403)	-	-	(453,218)	(13,161)
Total other financing sources (uses)	-	(79,403)	-	-	(429,961)	6,839
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(8,659)	(92,420)	82	2,967	(564,015)	11,965
Fund balances beginning of year	27,734	210,601	134,328	296,817	1,109,987	(1,436)
Fund balances end of year	19,075	118,181	134,410	299,784	545,972	10,529

See accompanying independent auditor's report.

Retirees - 411 Benefits	Police	Total	Permanent	Total
	Cash Property Management		Fairview Cemetery Perpetual Care	
135,527	-	10,869,757	-	10,869,757
-	-	54,147	-	54,147
-	-	71,418	-	71,418
-	-	3,355	-	3,355
-	-	7,172,726	-	7,172,726
-	373	72,005	-	72,005
-	-	232,846	-	232,846
-	-	1,288,306	-	1,288,306
135,527	373	19,764,560	-	19,764,560
-	523	477,781	-	477,781
-	-	5,009,991	-	5,009,991
-	-	13,696	-	13,696
-	-	426,142	-	426,142
-	-	1,569,608	-	1,569,608
-	-	1,699,864	-	1,699,864
-	523	9,197,082	-	9,197,082
135,527	(150)	10,567,478	-	10,567,478
-	-	1,707,629	-	1,707,629
(135,497)	-	(10,797,449)	-	(10,797,449)
(135,497)	-	(9,089,820)	-	(9,089,820)
30	(150)	1,477,658	-	1,477,658
1,949	245	10,818,108	59,920	10,878,028
1,979	95	12,295,766	59,920	12,355,686



## City of Council Bluffs

Combining Schedule of Revenues, Expenses and  
Changes in Fund Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Refuse and Disposal	Parks Food Service	Total
Operating revenues:			
Charges for service	\$ 4,147,068	41,479	4,188,547
Miscellaneous	507,050	-	507,050
Total operating revenues	4,654,118	41,479	4,695,597
Operating expenses:			
Business type activities:			
Refuse disposal	4,339,362	-	4,339,362
Parks food service	-	67,195	67,195
Depreciation	177,652	-	177,652
Total operating expenses	4,517,014	67,195	4,584,209
Operating income (loss)	137,104	(25,716)	111,388
Nonoperating revenues (expenses):			
State and federal grants	26,596	-	26,596
Loss on sale of capital assets	(1,244)	-	(1,244)
Total nonoperating revenues (expenses)	25,352	-	25,352
Change in net assets	162,456	(25,716)	136,740
Net assets beginning of year	4,389,800	25,716	4,415,516
Net assets end of year	\$ 4,552,256	-	4,552,256

See accompanying independent auditor's report.

**City of Council Bluffs**

City of Council Bluffs  
Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Refuse and Disposal	Parks Food Service	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 4,081,266	41,479	4,122,745
Cash received from other sources	515,334	-	515,334
Cash paid for personal services	(937,100)	-	(937,100)
Cash paid to suppliers	(3,394,095)	(67,195)	(3,461,290)
Net cash provided by (used for) operating activities	265,405	(25,716)	239,689
Cash flows from noncapital financing activities:			
Nonoperating noncapital grants	26,596	-	26,596
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(10,507)	-	(10,507)
Principal paid on SWAP loan	(19,500)	-	(19,500)
Net cash used for capital and related financing activities	(30,007)	-	(30,007)
Net increase (decrease) in cash and cash equivalents	261,994	(25,716)	236,278
Cash and cash equivalents beginning of year	852,643	25,716	878,359
Cash and cash equivalents end of year	\$ 1,114,637	-	1,114,637

## City of Council Bluffs

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2010

**Reconciliation of operating income (loss) to net cash  
provided by (used for) operating activities:**

Operating income (loss)

Refuse and Disposal	Parks Food Service	Total
\$ 137,104	(25,716)	111,388

Adjustments to reconcile operating income (loss) to  
net cash used for operating activities:

Depreciation expense	177,652	-	177,652
(Increase) in accounts receivable	(65,802)	-	(65,802)
Decrease in due from other governments	116	-	116
Decrease in inventories	3,825	-	3,825
Increase in accounts payable	14,203	-	14,203
(Decrease) in salaries and benefits payable	(28,711)	-	(28,711)
(Decrease) in due to other governments	(78)	-	(78)
Increase in unearned revenue	8,284	-	8,284
Increase in compensated absences	5,295	-	5,295
Increase in net OPEB liability	7,949	-	7,949
Increase in net pension liability	5,568	-	5,568
Total adjustments	128,301	-	128,301
Net cash provided by (used for) operating activities	\$ 265,405	(25,716)	239,689

See accompanying independent auditor's report.

City of Council Bluffs

Combining Schedule of Revenues, Expenses and  
Changes in Fund Net Assets  
Internal Service Funds

Year ended June 30, 2010

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Workers' Compensation Self Insurance	Iowa Governmental Health Care Plan
Operating revenues:				
Charges for service:				
Reimbursements from operating funds	\$ 59,336	300,000	-	5,519,682
Reimbursements from retired employees	-	-	-	351,391
Reimbursements from current employees	-	-	-	489,488
Total charges for service	59,336	300,000	-	6,360,561
Miscellaneous	-	-	-	28,538
Total operating revenues	59,336	300,000	-	6,389,099
Operating expenses:				
Governmental activities:				
Public safety	435,821	-	-	2,873,244
Public works	62,865	91,437	-	500,611
Health and social services	10,437	-	-	63,705
Culture and recreation	61,609	-	-	241,276
Community and economic development	18,813	-	-	106,844
General government	178,590	-	-	1,386,021
Business type activities	-	-	-	689,218
Total operating expenses	768,135	91,437	-	5,860,919
Operating income (loss)	(708,799)	208,563	-	528,180
Nonoperating revenues:				
Interest income	-	-	-	522
Net income (loss) before transfers	(708,799)	208,563	-	528,702
Transfers:				
Transfers in	-	-	412,951	-
Transfers out	-	(731,898)	-	-
Total transfers	-	(731,898)	412,951	-
Change in net assets	(708,799)	(523,335)	412,951	528,702
Net assets beginning of year	708,799	523,335	(412,951)	419,036
Net assets end of year	\$ -	-	-	947,738

See accompanying independent auditor's report.

411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
-	17,300	5,896,318
-	-	351,391
-	-	489,488
-	17,300	6,737,197
724	-	29,262
724	17,300	6,766,459
-	-	3,309,065
-	-	654,913
-	-	74,142
-	136,886	439,771
-	-	125,657
-	-	1,564,611
-	-	689,218
-	136,886	6,857,377
724	(119,586)	(90,918)
-	-	522
724	(119,586)	(90,396)
-	7,961	420,912
(436,753)	-	(1,168,651)
(436,753)	7,961	(747,739)
(436,029)	(111,625)	(838,135)
436,029	111,625	1,785,873
-	-	947,738

City of Council Bluffs  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2010

	Payroll Sinking	Public Works Equipment Depreciation Revolving	Workers' Compensation Self Insurance	Iowa Governmental Health Care Plan
Cash flows from operating activities:				
Cash received from customers and users	\$ 59,336	300,000	-	6,265,764
Cash received from other sources	-	-	-	360,369
Cash paid to suppliers	(768,135)	(91,437)	-	(6,648,412)
Net cash provided by (used for) operating activities	(708,799)	208,563	-	(22,279)
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	412,951	-
Transfers to other funds	-	(731,898)	-	-
Deficit cash implicitly financed	-	-	(412,951)	412,951
Net cash provided by (used for) noncapital financing activities	-	(731,898)	-	412,951
Cash flows from investing activities:				
Interest on investments	-	-	-	503
Net increase (decrease) in cash and cash equivalents	(708,799)	(523,335)	-	391,175
Cash and cash equivalents beginning of year	708,799	523,335	-	540,885
Cash and cash equivalents end of year	\$ -	-	-	932,060
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (708,799)	208,563	-	528,180
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Decrease in accounts receivable	-	-	-	237,034
(Decrease) in accounts payable	-	-	-	(787,493)
Total adjustments	-	-	-	(550,459)
Net cash provided by (used for) operating activities	\$ (708,799)	208,563	-	(22,279)

See accompanying independent auditor's report.

411 Benefits (Active)	Arena Capital Improvement Depreciation Revolving	Total
-	17,300	6,642,400
-	-	360,369
-	(136,886)	(7,644,870)
-	(119,586)	(642,101)
-	7,961	420,912
(436,753)	-	(1,168,651)
-	-	-
(436,753)	7,961	(747,739)
-	-	503
(436,753)	(111,625)	(1,389,337)
436,753	111,625	2,321,397
-	-	932,060
724	(119,586)	(90,918)
-	-	237,034
(724)	-	(788,217)
(724)	-	(551,183)
-	(119,586)	(642,101)



## City of Council Bluffs

Combining Schedule of Fiduciary Net Assets  
Agency Funds

June 30, 2010

	Section 8	Municipal Housing Agency	Total
<b>Assets</b>			
Due from other governments	\$ 19,349	47,633	66,982
<b>Liabilities</b>			
Due to other governments	\$ 9,349	23,323	32,672
Trusts payable	10,000	24,310	34,310
<b>Total liabilities</b>	<b>\$ 19,349</b>	<b>47,633</b>	<b>66,982</b>

See accompanying independent auditor's report

## City of Council Bluffs

Combining Schedule of Changes in Trusts Payable  
Agency Funds

Year ended June 30, 2010

	Section 8	Municipal Housing Agency	Employee Savings Bond	Total
Additions:				
Trusts received	\$ 9,674	417,507	-	427,181
Miscellaneous	28,698	256,213	-	284,911
Total additions	38,372	673,720	-	712,092
Deductions:				
Agency remittances:				
Trusts paid out	29,023	728,900	331	758,254
Change in net assets	9,349	(55,180)	(331)	(46,162)
Balances beginning of year	10,000	102,813	331	113,144
Balances end of year	\$ 19,349	47,633	-	66,982

See accompanying independent auditor's report.

City of Council Bluffs

Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis				
	2010	2009	2008	2007	2006
<b>Revenues:</b>					
Property tax	\$ 37,103,962	33,308,384	31,830,399	30,233,157	28,381,903
Tax increment financing	3,222,809	4,983,734	3,548,580	1,384,337	1,230,247
Other city tax	15,726,929	13,203,713	13,325,303	11,720,071	11,413,261
Licenses and permits	3,199,381	3,345,559	3,455,394	3,510,264	1,051,748
Use of money and property	968,615	1,422,391	1,795,827	2,073,470	1,624,075
Intergovernmental	13,957,826	10,693,866	16,273,844	12,020,294	12,479,002
Charges for service	3,543,339	3,827,025	3,298,632	3,317,768	3,818,793
Special and drainage assessments	341,278	220,241	210,925	203,542	111,622
Miscellaneous	7,399,559	6,319,096	7,756,828	10,863,550	11,684,492
<b>Total</b>	<b>\$ 85,463,698</b>	<b>77,324,009</b>	<b>81,495,732</b>	<b>75,326,453</b>	<b>71,795,143</b>
<b>Expenditures:</b>					
<b>Operating:</b>					
Public safety	\$ 25,267,311	24,800,095	24,185,898	24,010,444	23,582,483
Public works	6,354,312	6,974,369	7,113,721	6,826,252	8,313,984
Health and social services	524,986	515,800	503,210	488,102	508,110
Culture and recreation	6,029,643	7,180,312	5,685,981	5,349,274	5,219,482
Community and economic development	4,346,981	5,181,333	4,144,240	3,481,043	22,419,715
General government	10,022,944	9,146,234	9,620,991	9,426,637	5,298,251
Debt service	12,631,833	12,147,426	11,777,883	11,006,109	9,834,396
Capital projects	29,890,156	19,216,601	21,197,403	21,149,556	18,272,003
<b>Total</b>	<b>\$ 95,068,166</b>	<b>85,162,170</b>	<b>84,229,327</b>	<b>81,737,417</b>	<b>93,448,424</b>

See accompanying independent auditor's report.

2005	2004	2003
26,346,058	24,963,919	23,656,726
902,756	794,607	970,564
12,687,008	12,023,106	10,537,000
1,176,222	982,507	898,554
818,897	388,327	743,139
12,739,275	12,374,149	12,591,692
3,284,574	3,145,863	3,352,793
1,034	1,374	1,789
6,591,318	4,401,510	10,421,653
64,547,142	59,075,362	63,173,910

22,882,165	21,331,574	20,553,454
9,706,538	10,796,327	7,063,654
1,196,578	1,429,313	1,212,027
4,602,801	4,629,009	5,541,315
5,027,689	2,914,913	2,732,121
4,967,337	5,375,981	4,323,001
15,304,432	7,889,109	10,535,859
12,150,551	8,498,096	20,248,881
75,838,091	62,864,322	72,210,312

City of Council Bluffs  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/Entitlement Grants (\$144,326 provided to subrecipients)	14.218	B-08-MC-19-0005	\$ 236,644
Community Development Block Grants/Entitlement Grants (\$267,126 provided to subrecipients)	14.218	B-09-MC-19-0005	717,012
ARRA - Community Development Block Grants/ Entitlement Grants	14.218	B-09-MY-19-0005	90,264
			<u>1,043,920</u>
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-06-SP-IA-0286	112,759
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-08-SP-IA-0521	206,813
			<u>319,572</u>
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1366	42,316
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-2012	286,946
U.S. Environmental Protection Agency:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-98796701-0	26,721
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-98796801-0	61,969
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-97712001-0	8,715
			<u>97,405</u>
U.S. Department of Energy:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0002929	130,352
Total direct			<u>1,920,511</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-NSP-022	609,671
City of Omaha:			
Home Investment Partnerships Program (\$125,000 provided to subrecipients)	14.239	2005	125,000
Home Investment Partnerships Program (\$95,000 provided to subrecipients)	14.239	2006	95,000
Home Investment Partnerships Program (\$76,912 provided to subrecipients)	14.239	FY2007 - Mosaic	76,912
			<u>296,912</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy: Project Safe Neighborhoods	16.609	07-SD06	41,851
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09 JAG/ARRA-220	83,866

City of Council Bluffs  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HDP-1642(645)-71-78	179,550
Highway Planning and Construction	20.205	IM-029-3(67)52-13-78	903,054
Highway Planning and Construction	20.205	BROS-1642(650)-8J-78	21,388
Highway Planning and Construction	20.205	BRM-1642(655)-8N-78	287,227
Highway Planning and Construction	20.205	IHSIPX-029-2(61)49-08-78	197,740
Highway Planning and Construction	20.205	STP-ES-1642(653)-8I-78	250,812
ARRA - Highway Planning and Construction	20.205	ESL-1642(659)7S-78	172,294
ARRA - Highway Planning and Construction	20.205	ESL-1642(657)7S-78	1,983,673
ARRA - Highway Planning and Construction	20.205	ESL-1642(660)7S-78	59,619
ARRA - Highway Planning and Construction	20.205	ESL-1642(658)7S-78	422,554
			<u>4,477,911</u>
Omaha Metro Area Transit:			
Federal Transit - Formula Grants	20.507	NE-90-X074-00	<u>293,509</u>
Iowa Department of Transportation:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	16-X001-164-10	<u>18,622</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 09-02, Task 02	8,235
State and Community Highway Safety	20.600	PAP 10-410, Task 17	4,000
			<u>12,235</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 09-02, Task 02	12,704
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 10-410, Task 17	23,552
			<u>36,256</u>
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468		<u>220,538</u>
U.S. Department of Education			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397		<u>73,229</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Immunization Grants	93.268	5889I420	5,395
Immunization Grants	93.268	5880I420	5,897
			<u>11,292</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2010-ELC08	900
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2011-ELC08	280
			<u>1,180</u>

City of Council Bluffs  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
ARRA - Immunization	93.712	5880I420	8,757
HIV Prevention Activities Health Department Based	93.940	5889AP05	1,975
HIV Prevention Activities Health Department Based	93.940	5889AP21	2,367
HIV Prevention Activities Health Department Based	93.940	5880AP05	5,184
HIV Prevention Activities Health Department Based	93.940	5880AP21	18,486
			<u>28,012</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Department of Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DRIA	168,197
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1877-DRIA	115,650
			<u>283,847</u>
Total indirect			<u>6,497,688</u>
Total			<u>\$ 8,418,199</u>

Although there were no current year program expenditures, there is a \$720,000 loan balance in the Community Development Block Grant/Section 108 Loan Guarantees Program, CFDA Number 14.248, from previous years for which the federal government has imposed continuing requirements.

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Council Bluffs and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control**  
**over Financial Reporting and on Compliance and Other Matters**  
**Based on an Audit of Financial Statements Performed in Accordance with**  
**Government Auditing Standards**



**City of Council Bluffs**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA

Auditor of State

State Capitol Building

Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Council Bluffs, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 4, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Council Bluffs Airport Authority, a discretely presented component unit, as described in our report on the City of Council Bluffs' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters reported on separately by the other auditor.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Council Bluffs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Council Bluffs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Council Bluffs' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

## Compliance and Other Matters

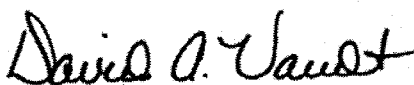
As part of obtaining reasonable assurance about whether the City of Council Bluffs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Council Bluffs' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Council Bluffs' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Council Bluffs and other parties to whom the City of Council Bluffs may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Council Bluffs during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State

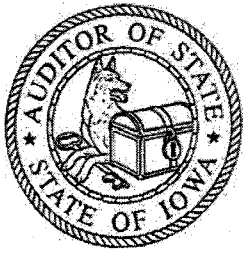


WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 4, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect on  
Each Major Program and on Internal Control over Compliance in Accordance with  
OMB Circular A-133**

**City of Council Bluffs**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect on  
Each Major Program and on Internal Control over Compliance in Accordance with  
OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the City of Council Bluffs, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Council Bluffs' major federal programs for the year ended June 30, 2010. The City of Council Bluffs' major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Council Bluffs' management. Our responsibility is to express an opinion on the City of Council Bluffs' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Council Bluffs' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Council Bluffs' compliance with those requirements.

In our opinion, the City of Council Bluffs complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010.

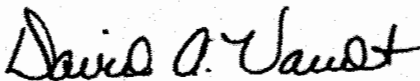
Internal Control Over Compliance

The management of the City of Council Bluffs is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Council Bluffs' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Council Bluffs' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Council Bluffs and other parties to whom the City of Council Bluffs may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 4, 2011

City of Council Bluffs  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 14.218 - Community Development Block Grants/Entitlement Grants
  - CFDA Number 14.228 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
  - CFDA Number 14.239 - Home Investment Partnerships Program
  - CFDA Number 14.251 - Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants
  - CFDA Number 20.205 - Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Council Bluffs did not qualify as a low-risk auditee.



City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-10 Financial Reporting – During the audit, we identified material amounts of capital asset deletions not recorded in the City's financial statements, an overstatement of asset additions recorded in the City's financial statements and a material overstatement of receivables recorded in the City's financial statements. Adjustments were subsequently made by the City to properly adjust for these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all capital assets and receivables are properly accounted for in the City's financial statements.

Response – The finance department will review capital asset listings for reasonableness and discuss material additions and dispositions with operating departments prior to fiscal year end to determine all asset additions and dispositions are properly recorded as they take place. In addition, a change will be made in procedures to require that all schedules and/or work papers prepared by City staff for external auditors have a review by another staff member. Both the preparer and reviewer will initial and date the document. This will be required regardless of position.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, culture and recreation, capital projects and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Total governmental operating disbursements on a cash basis were \$72.1 million compared to a budget of \$72.1 million. The City expended \$37,492 less than its budget for governmental operating expenses. In the instances of public safety and culture and recreation, disbursements of funds from a grant were disbursed earlier than anticipated when preparing the budget amendment. In the instances of both capital projects and business type activity (sewer) disbursements, costs of construction completed by June 30, 2010 were underestimated when preparing the budget adjustment. Greater care will be taken to more accurately estimate costs when preparing budget revisions in the future.

Conclusion – Response accepted.

- IV-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-10 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-10 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Clifton Anderson, Fire Department Employee, Owner of Cliff's Outdoor and Tactical Supply	Helmets and safety supplies	\$ 9,855

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions for helmets and safety supplies with Clifton Anderson appear to represent a conflict of interest since total transactions were greater than \$2,500 during the fiscal year.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

City of Council Bluffs

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – The finance director will refer this finding to the City attorney and comply with his advice.

Conclusion – Response accepted.

IV-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Council Minutes – No transactions were found which we believe should have been approved in the Council minutes but were not.

IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-10 Financial Condition – At June 30, 2010, the following funds had deficit balances:

<u>Fund</u>	<u>June 30, 2010 Balance</u>
Special Revenue:	
Tax Increment Financing	\$ (1,684,127)
Debt Service	(271,325)

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – The deficit balance in the Special Revenue, Tax Increment Financing Fund arose when the City made an inter-fund loan in previous years to fund infrastructure improvements. The deficit balance will remain until that inter-fund loan is repaid. The deficit in the Debt Service Fund arose when the City called a bond on June 1, 2010 and advanced the funds needed to make the payment. The resulting savings in interest will approximate \$394,000. Proceeds of debt service levy receipts in fiscal year 2011 will bring the debt service balance to a positive balance at June 30, 2011.

Conclusion – Response accepted.

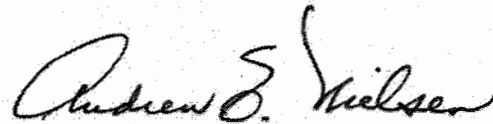
---

City of Council Bluffs

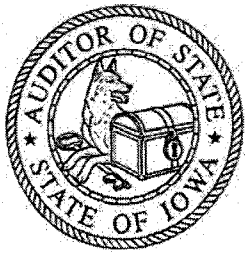
Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Brian R. Brustkern, CPA, Senior Auditor II  
Michael J. Hackett, Senior Auditor  
Michael R. Field, Staff Auditor  
Tiffany M. Ainger, Staff Auditor  
Jessica P.V. Green, Assistant Auditor  
Reza Sepehri, Assistant Auditor  
Ann McMinimee, Intern Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA  
Deputy Auditor of State



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

February 23, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Council Bluffs, Iowa.

The City's revenues totaled \$98,997,443 for the year ended June 30, 2010, a 12.7 percent decrease from the prior year. Revenues included \$45,803,705 in property and other city tax, \$3,223,820 from tax increment financing, \$21,069,078 from charges for service, \$10,543,582 from operating grants, contributions and restricted interest, \$10,812,521 from capital grants, contributions and restricted interest, \$7,024,557 from local option sales tax, \$342,666 from unrestricted investment earnings and \$177,514 from other general revenues.

Expenses for City operations totaled \$78,474,807, a 2.6 percent decrease from the prior year, and included \$26,540,090 for public safety, \$11,298,900 for public works and \$10,959,589 for general government. Expenses for business type activities totaled \$11,817,255.

A copy of the audit report is available for review in the City Finance Director's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0732-B00F.pdf>.

###